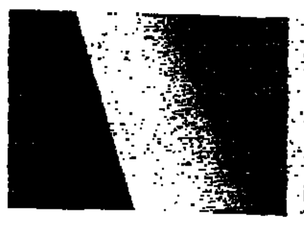
FINANCIAL TIMES



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World Business Newspaper FRIDAY FEBRUARY 3 1995 D8523A

Book errors figure in Salomon $770m pre-tax loss

By Maggie Urry in New York

Salomon, the US investment banking group, yesterday reported a pre-tax loss of $770m (£493.5m) for 1994, because of poor trading results and an accumulation of years of book-keeping errors that cost $217m.

Salomon, which in 1993 made a pre-tax profit of $1.47bn, suffered from the same difficult trading conditions as other Wall Street firms.

As well as $217m written off last year because of book-keeping errors, Salomon disclosed it had written off $164m in previous years, making $381m altogether.

The company blamed $194m of 1994's pre-tax book-keeping losses on antiquated accounting systems in the London office of Salomon Brothers, its main investment banking subsidiary.

It also said its 1993 profits had borne a $87m pre-tax charge relating to similar provisions made in Salomon Brothers' US activities.

The other $23m of the pre-tax charge in 1994 related to recording the results of interest rate swap activities dating back to the mid 1980s. It follows write-offs of $77m before tax since 1992.

Salomon had said last November that a charge would have to be made in the 1994 results. It said yesterday it was embarrassed at the size of the provisions needed to resolve unreconciled balances in its accounts, but was confident that the matter would not recur. It said clients had not lost money through the errors and there was no evidence of wrongdoing by employees.

Mr Robert Denham, chief executive, said: "The operational problems, while surprisingly expensive, are resolved. We have identified and taken the appropriate charges, and we have made changes in people and procedures that will keep these problems from recurring."

The episode is damaging to Salomon, which had been working to overcome bad publicity since it was involved in a scandal in the US Treasury bond market in 1991 that which led to the conviction of a former trader and the departure of Mr John Gutfreund, the former chairman and chief executive.

New management was brought

Lex, Page 16
Investment banking puts Salomon in the red, Page 24

Flooding still a risk as Dutch water levels fall

Dutch soldiers continued to patrol vulnerable parts of the dyke at Ochten (above) after officials warned that there was still a high risk of some dykes collapsing even though flood waters in the Netherlands had started to recede. Nearly 2,500 people have left their homes, but more may need to be evacuated. In France, flood damage at Peugeot-Citroen's foundry at Charleville near the Belgian border has halted the French carmaker's assembly operations, affecting about 50,000 workers. Page 3

Fiat to return to profits: Chairman Giovanni Agnelli confirmed that the Italian motors and industrial group would be back in profit for 1994 after a lossmaking 1993. Shareholders have been told to expect taxable profits of L1,750bn ($1.08bn). Page 21; Lex, Page 20

Kidnapped deputy found dead: Russian parliamentary deputy Sergei Skorochkin was found dead near Moscow after being kidnapped. Page 2

UK raises interest rates: Britain raised official interest rates by half a percentage point to 6.75 per cent to try to prevent inflation. The increase had been widely expected by the financial markets. Page 20: Background, Page 8; London stocks, Page 34

Northern Ireland talks under pressure: British prime minister John Major struggled to limit the political damage caused by leaked extracts from a draft document for a Northern Ireland peace framework. But Ulster Unionist parliamentarians threated to withdraw support from his government unless the document were revised. Page 20; Background, Page 8; Observer, Page 19

Intel cuts Pentium chip prices: Intel, hit last year by problems over a flaw in its Pentium microchip, is cutting the chips' prices by up to 40 per cent this week.

UK cuts tax collectors' jobs: Britain's Inland Revenue plans to cut up to a quarter of its staff over the next seven years and shut half its present number of tax offices. Page 8

Peru in new attack on Ecuador: Peru launched another attack on Ecuadorean troops near their commons border. The fresh fighting broke out as officials from both sides failed to agree a ceasefire. Page 5

Wellcome rushes out results: The UK drugs company issued its full-year results a month ahead of schedule as part of its attempt to attract a rival bid to the £9bn ($5.7bn) offered by rival Glaxo. Pre-tax profits, excluding exceptional items, were 18.2 per cent higher at £738m. Page 21; Lex, Page 20

Nordbanken, biggest casualty of Sweden's 1992 banking crisis, may be fully privatised later this year. Finance minister Göran Persson said the Social Democratic government favoured returning Nordbanken – estimated to be worth about SKr20bn ($2.7bn) – to the private sector.
Page 22

More strikes in Germany: Members of Germany's IG Metall union staged a fourth day of brief warning strikes aimed at eliciting a wage offer from employers.

Third World telecoms plan: The International Telecommunications Union is launching a venture later this month to channel private sector funds into Third World telecoms development. The UN agency aims to narrow the widening "communications gap" between rich and poor countries.
Page 6

Call for ferry changes: A safety panel set up by UN watchdog agency the the International Maritime Organisation wants ferry owners to make structural alterations that will keep their ships afloat longer in a disaster. But the IMO group, set up after the Estonia sank, said it would not make specific demands on owners.

French road deaths down: The numbers killed on French roads fell to a 38-year low of 8,533 in 1994 – the year France lowered the level of alcohol permissible in a driver's blood.

STOCK MARKET INDICES

FT-SE 100:	3,034.7	(+17.4)
Yield	4.27	
FT-SE Eurotrack 100	1,312.88	(-0.59)
FT-SE-A All-Share	1,497.19	(+0.5%)
Nikkei	18,604.38	(-135.17)
New York lunchtime		
Dow Jones Ind Ave	3,865.83	(+8.07)
S&P Composite	470.91	(+0.51)

US LUNCHTIME RATES

Federal Funds:	$5\frac{13}{16}$%
3-mo Treas Bills: Yld	6.016%
Long Bond	$97\frac{1}{32}$
Yield	7.759%

LONDON MONEY

3-mo Interbank	$6\frac{13}{16}$%	(6$\frac{3}{4}$%)
Liffe long gilt future:	Mar 102$\frac{1}{2}$	(Mar 102$\frac{1}{4}$)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.89	(16.77)

GOLD

New York Comex Feb	$376.9	(376.7)
London	$376.1	(376.2)

STERLING

New York lunchtime:		
$	1.5805	
London:		
$	1.5823	(1.5816)
DM	2.405	(2.4083)
FFr	8.3361	(8.3443)
SFr	2.0339	(2.0345)
Y	157.529	(157.301)
£ Index	88.6	(88.7)

DOLLAR

New York lunchtime:		
DM	1.5195	
FFr	5.2685	
SFr	1.285	
Y	99.465	
London:		
DM	1.52	(1.5228)
FFr	5.2685	(5.276)
SFr	1.2855	(1.2864)
Y	99.56	(99.46)
$ Index	95.6	(95.7)

Tokyo close Y 99.32

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira50	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.50	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£90.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

IMF says Mexican deal averted new crisis

By George Graham in Washington

An unprecedented $50bn financial support package for Mexico, put together under US leadership this week, averted a new type of global financial crisis, the head of the International Monetary Fund said yesterday.

Mr Michel Camdessus, the fund's managing director, said Mexico had been in "imminent danger" of having to resort to foreign exchange controls. Had this happened, it would have triggered "a true world catastrophe" with serious consequences for other developing countries, however strong their economies.

Failure to act would also have called into question the credibility of the market-oriented approach to development which the IMF and leading governments have strongly supported, he said.

"When the circumstances are exceptional, the support must be exceptional," Mr Camdessus said. He described Mexico's liquidity problems as "the first major crisis of our new world of globalised financial markets".

"What we have done is provide the markets with extra assurance that this will work and the resources will be there."

Mexico will be able to draw on the first $7.8bn of its credit line from the International Monetary Fund on Monday morning. Mr Camdessus said IMF executive directors agreed to the $7.8bn standby loan, as well as to an additional $10bn to be drawn from member countries' central banks or from the Fund's own resources, at a five-hour board meeting on Wednesday.

However, the board was not unanimous in its decision to provide finance of more than twice the amount that would normally be available to Mexico under IMF rules. Mr Camdessus said the proposal had received a majority of more than 85 per cent.

The IMF money forms part of a $50bn support package hurriedly put together this week when President Bill Clinton's efforts to persuade the US Congress to agree to guarantee $40bn of Mexican borrowing collapsed.

Besides the IMF's $17.8bn, the package includes $20bn of swaps and loan guarantees from the US currency stabilisation fund and $10bn from central banks of the leading industrialised nations, through the Bank for International Settlements based in Basle.

Precise details of the financial package are still being agreed. The IMF is seeking to collect the additional $10bn it has promised from central banks of developing countries with strong foreign exchange reserves, such as Brazil or Malaysia. If it succeeds, the money could be made available to Mexico from April 1.

The IMF's liquidity is at its highest ever level, and Mr Camdessus said the fund would still have funds to not only handle its normal programme for 1995 and 1996, but also deal with "possibly another extra difficult case".

Nevertheless, he said, the Mexican crisis raised the question of another increase in the finances pledged to the IMF by member governments. The IMF's last quota increase, which added 45bn Special Drawing Rights ($66.4bn), the IMF's own reserve currency, to the fund's total capital base, came into effect at the end of 1992. "There is no urgency, but it will have certainly to be considered earlier than expected," Mr Camdessus said.

Concerns shift to damage done, Page 5

Cairo summit: (from left) Israeli prime minister Yitzhak Rabin, King Hussein of Jordan, Egyptian president Hosni Mubarak and Palestine Liberation Organisation chairman Yassir Arafat before their emergency meeting to revive faltering Middle East peace talks Page 6 Reuter

Walesa move threatens Polish crisis

President considers dissolving parliament after budget dispute

By Christopher Bobinski in Warsaw

Poland was yesterday on the brink of a constitutional crisis, as President Lech Walesa took the first formal step towards dissolving the country's parliament.

Mr Walesa, leader of the Solidarity union movement which forced the Communists from power in 1989, said yesterday that "democracy posed a threat to itself". He accused the parliament of failing to replace corrupt ministers in the administration.

The one-time national hero denied suggestions that he would use force to dissolve the assembly. "I will not bring the army or the police out on to the streets," he said. "I will not shoot at Poles, even if only because I have the Nobel peace prize."

Mr Walesa brought his ongoing confrontation with the ruling coalition and parliament to a head yesterday afternoon by asking the chairmen of parliament's two chambers, the Sejm and the Senate, for their view on a dissolution. This is the first legal step towards calling new elections.

The immediate cause of his action was the failure to agree on a budget for the current year, which parliament has accepted, but he has refused to approve.

However, Mr Walesa has been in conflict with Mr Waldemar Pawlak, the Polish prime minister, and his government of ex-communists and peasant representatives for several months.

His move was denounced by both government and opposition parties, who charged he had no legal mandate to call new elections. Members of the opposition Freedom Union threatened to occupy the parliament at the weekend to prevent its closure.

The president's drive against parliament, and efforts to disrupt the ruling coalition are seen as a bid to reverse his unpopularity and win a second term in the elections to be held in November.

He is isolated politically by a parliament in which he has few allies and which was elected in 1993 for a four-year term with a heavy majority from the post-communist Left Democratic Alliance and the Peasant party.

The disputed budget was approved by the parliament on January 3, but the president has yet to sign it. Yesterday Mr Walesa asked for a court ruling on the legality of the document, which means formal acceptance will be delayed past the three months given for its passage.

This delay will give grounds for Mr Walesa's lawyers to argue that he has the right to dissolve parliament.

Polish shares fell sharply yesterday on news of the confrontation. The Warsaw all-share index slipped 3 per cent, and analysts warned that the tensions could provoke more selling today.

Building companies eye Polish potential. Page 7

German metals group to sue former directors over losses

By Andrew Fisher in Frankfurt

Metallgesellschaft, the German industrial and trading company, is to sue its former chairman and finance director over the US oil futures trading losses which nearly caused its collapse in one of Germany's biggest corporate disasters.

The company's decision to sue Mr Heinz Schimmelbusch and Mr Meinhard Forster follows the release last week of an independent auditors' report which criticised both men.

Mr Schimmelbusch was dismissed as chairman at the end of 1993 after the scale of Metallgesellschaft's losses became apparent, and Mr Forster was removed as finance director. The company was rescued in January 1994 by a DM3.4bn ($2.22bn) package put together by creditors, headed by Deutsche Bank.

The legal action seems certain to intensify the bitterness which the crisis at Metallgesellschaft has bred among those involved.

Metallgesellschaft did not mention specific damages, saying they still had to be assessed by its lawyers. The auditors' report said both men neglected their duty as directors by failing to stem the US losses as their extent became apparent.

Mr Schimmelbusch is already suing the company, Deutsche Bank and Mr Ronaldo Schmitz, a director of the bank who heads Metallgesellschaft's supervisory board, for at least $10m in New York for alleged defamation.

The company yesterday also confirmed plans for a capital restructuring to raise some DM600m. Share capital will be written down on a one-for-two basis with shareholders subscribing to new shares at market prices.

This has been agreed with creditor banks, though some were unhappy about participating in a further capital injection after last year's rescue. The restructuring will be put to the annual meeting in March.

The new shares will be in DM5 nominal form, to lower the cost to small investors. The shares are currently in DM50 nominal units, quoted in Frankfurt yesterday at DM135; before news of the losses broke in December 1993 they were above DM400.

Metallgesellschaft also confirmed the size of its losses after giving initial details in November. The pre-tax loss in the financial year to September 30 1994, was DM2.54bn against a DM1.87bn loss in 1992-93.

The net loss was DM2.63bn (DM1.97bn). This reflected the US oil trading losses and oil-purchasing contracts with Castle Energy which together produced a DM3.3bn loss at MG Corp, the US subsidiary. Without this, Metallgesellschaft would have made a pre-tax profit of DM784m.

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France steps up pressure on TV quotas

By David Buchan in Paris and Emma Tucker in Brussels

France will today renew its pressure on Mr Jacques Santer, the European Commission president, for European legislation to extend and reinforce television quotas in the European Union, on which Paris has made new proposals.

Mr Nicolas Sarkozy, minister responsible for communications, suggested yesterday that in revising its 1989 broadcasting directive, the EU could vary the type of quota according to the nature of the television station.

Minimum quotas of EU-origin programmes could be applied to general interest, mass audience TV stations, Mr Sarkozy told Le Figaro yesterday, while "thematic" specialist channels would only be obliged to plough a minimum amount of money back into making new European programmes.

But Mr Sarkozy expressed "astonishment" at Mr Santer's comments last week that quotas were "always something artificial", complaining that the new Commission president should be so quick to rush to judgment on so complex and sensitive an issue. Mr Santer is expected to hear more in the same vein from President Mitterrand and Prime Minister Edouard Balladur at the Commission's joint meeting in Paris today with the French presidency of the EU.

A row over revisions to the broadcasting directive erupted last year after more liberal-minded commissioners refused to back proposals by the then audio visual commissioner, Mr Joao de Deus Pinheiro to tighten the broadcasting quotas.

His plans were eventually softened to allow broadcasters the choice of either sticking to the 50 per cent quotas, or investing a certain amount of their budget in European productions. The French were unhappy with the final draft, arguing that investment quotas were difficult to monitor, and should only be offered as a choice to single-theme channels which would find content quotas impractical.

France itself applies compulsory quotas on both broadcasts and production. French TV stations are obliged to carry 60 per cent European-origin programming at prime time, of which two thirds must be French, as well as being required to reinvest at least 18.5 per cent of their annual turnover in making new programmes.

But Paris realises its EU partners are unlikely ever to go so far. It is now proposing a more nuanced approach, taking account of the self-interest of "thematic" channels in making programmes on their speciality while still keeping Hollywood from flooding mass audience TV stations. France says it does not want to maintain TV quotas for ever, but just for a few more years so that the European audiovisual industry can restructure itself to meet Hollywood's competition. "We would use the delay to get film production companies to regroup and to raise more capital," a senior French minister said yesterday.

The new commissioners are due to discuss revisions to the regulations at their regular meeting next week, but they are not expected to adopt a formal text until well after the special G7 Information Society conference in Brussels this month. This will help avoid embarrassing clashes of opinion with the US, which is vehemently opposed to quotas.

French insurers in pension reform

By Andrew Jack in Paris

France took an important step forward in the development of conventional pension funds yesterday with the announcement of an innovative scheme that will handle retirement benefits for most insurance workers.

The French insurance industry bodies and the four leading trade unions for the sector confirmed that they had signed an agreement which will radically alter the systems of fund management and contributions.

"This is a very, very important step forward in the development of pension funds," the Federation of French Insurance Companies said last night.

The French government has been under increasing pressure to reform the current system of pensions, by which current employees fund the pensions paid to those who have already retired.

As the population has aged sharply, the urgency of change has grown sharply with the size of the active workforce shrinking at a time when they must support increasing numbers of pensioners.

Although a law introduced last year by Mr Alain Madelin, the enterprise minister, encouraged the development of private pension schemes for artisans and independent workers, no scheme until now has existed for salaried staff.

Under the plans approved yesterday, all the pension assets for those in the French insurance sector will be transferred to a new fund which will be managed in the same way as insurance companies' other assets.

The scheme will cover 96,000 salaried staff and 44,000 people who have already retired. Current assets stand at about FFr3.2bn (£380m) and actuarial calculations suggested that the money held now would have been entirely depleted by 2010 or 2012.

The new system will demand that employees make contributions based on assessment of the benefits that they will eventually receive on retirement, rather than the current needs for existing retired staff.

It is significant because it covers all staff, not simply professionals; because its assets are privately managed, with the insurance companies underwriting the return on investment; and because the unions - who have traditionally been reluctant to approve pension reform – have agreed to the idea.

It is no surprise that the insurance sector has taken the lead in developing an innovative approach to pensions, since it will be keen to gain experience which will make it well positioned to manage the assets of other pension schemes developed in France over the next few years.

French Socialists seek a gallant loser

David Buchan previews the vote for a presidential candidate to challenge the right

French Socialists will this evening make a choice that could mortgage the future of their party just as surely as earlier this week they mortgaged their Paris headquarters for a big bank loan.

The party's 103,000 paid-up members – or at least those who turn up at their regional federation offices between 5pm and 11pm this evening – are invited to vote in their first ever presidential primary.

The contest for the Socialists' presidential nomination pits Mr Lionel Jospin, a former party first secretary and education minister, against Mr Henri Emmanuelli, the party's leader and former president of the National Assembly. The vote will determine the composition of delegates to be sent by the federations to a special congress in Paris on Sunday, which in turn will pronounce the winner.

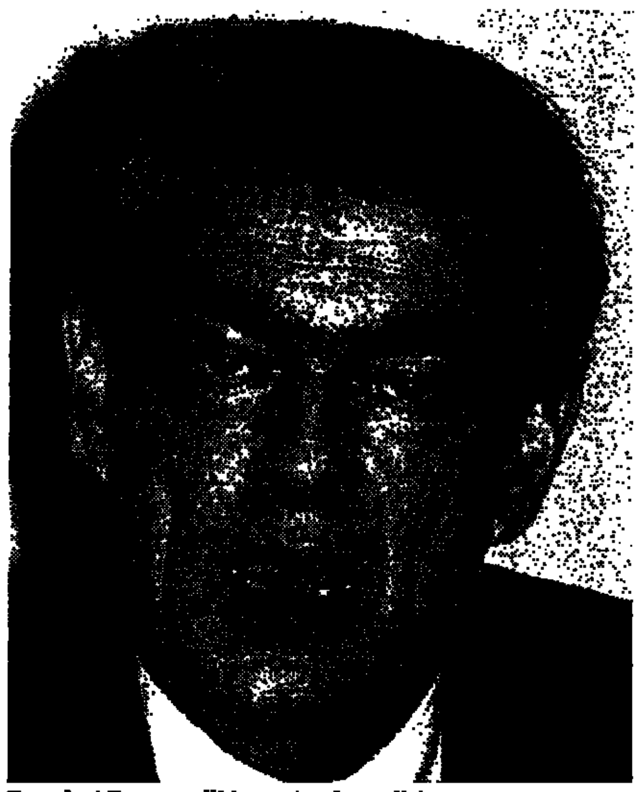
Tonight's vote looks like it will be the closest contest of the entire presidential election campaign. Each candidate claims to have the presidents of precisely 44 of the party's 102 regional federations in his camp, though no one knows the extent to which the rank and file will follow their local bosses.

It is also a contest that should never taken place in the view of some, such as Ms Ségolène Royal; in despair at what she termed this "macho-war" between rival candidates, she resigned as president of the party's national council in protest at the party's inability to agree amicably on a single standard bearer.

Judging by the number of Socialists decrying the manner the Jospin-Emmanuelli race is tearing their party apart – or indeed by the failure of France's conservative parties to hold primaries as they had long agreed to do – selecting party candidates or leaders by the ballot box is unlikely to become in France the norm that it is in European parliamentary systems. Up to now, the Socialist party never needed anything like a primary, because since he founded it in its modern form in 1971 François Mitterrand has always been its unquestioned presidential candidate.

But a desperate situation can sometimes call forth a desperate remedy. The Socialists felt desperate after Mr Jacques Delors, the ex-European Commission president, turned down their united appeal for him to lead them, leaving "the left in ruins", in the phrase of Mr Michel Rocard, himself the Socialist leader and expected presidential candidate until he was ousted last summer.

Smooth spoken Jospin has middle class appeal



Truculent Emmanuelli is a natural populist

As with most struggles inside the French Socialist party, this one mixes relatively small ideological differences with large doses of tactical and personal rivalry. Both Mr Jospin and Mr Emmanuelli stem from the Mitterrand *courant* that dominated the party throughout the 1980s, though the former distanced himself from the scandals of President Mitterrand's second term with which Mr Emmanuelli is somewhat tarred by virtue of being the party's treasurer in 1988-92. The latter has to answer charges next month before a Brittany court of presiding over a system of illegal corporate kickbacks. No one in the party – not even the Jospin camp – holds this against him.

Mr Emmanuelli is seen as slightly more to the left. This is only marginally to do with policy. Just about their only detectable policy difference is on the issue of shortening the statutory 39-hour work week to put more people into jobs. Mr Jospin conceives of the possibility of some parallel wage cuts to keep companies competitive, while Mr Emmanuelli argues that any relief to companies should come through the tax system.

But this difference may not matter much, because the winner on Sunday will be presented by the party with a presidential platform to follow. Equally important is that the smooth-spoken Mr Jospin has more middle-class appeal than the truculent, chain-smoking Mr Emmanuelli, who is the more natural populist.

Inside the party, therefore, Mr Jospin has the support of a moral reformist movement led by people such as Mr Delors' daughter, Mrs Martine Aubry, who want to win over new middle class voters, while Mr Emmanuelli has the left wing with him in his quest to rebuild the party's working class base.

The crucial question for Socialists voters tonight is which candidate would get the most votes in the first round of voting on April 23. For, according to a Sofres survey in yesterday's Nouvel Observateur magazine, which is consistent with other polls, neither man would make it into the final run-off on May 7 with Gaullist prime minister Edouard Balladur. Sofres showed that either one of the two Socialist contenders would take third place – Mr Jospin one point and Mr Emmanuelli four – behind Mr Chirac; the latter would therefore be Mr Balladur's ultimate challenger in an all-Gaullist finale.

To let two right-wing candidates slug it out on May 7 would be "catastrophic for France and for the Socialist party", said Mr Pierre Mauroy, the former Socialist prime minister, this week, because half the country would go unrepresented in the final debate. Mr Mauroy who has Mrs Aubry running on his ticket for re-election in June as mayor of Lille, said he strongly favoured Mr Jospin because the polls give him the better chance.

However, Mr Jospin has been far less successful than Mr Emmanuelli in winning election, even as an MP, and is not one now. More important, his high moral stance has alienated Radical, the small left wing party whom the highly controversial Mr Bernard Tapie has brought to prominence. If the Socialists pick Mr Jospin, Radical is threatening to drop its usual alliance with the Socialists and to run its own candidate.

Mr Jospin dares it to do so, as it did in 1981 when the 2 per cent it won proved no bar to a Mitterrand victory. The difference now is that Radical won 12.5 per cent in the European Parliament elections in June, 2 points behind the Socialists.

Primaries are tricky mechanisms, even in tried hands. They increase the cross-fire within a party, but are then supposed to end in a truce, after which all the cannons are turned on the political enemy. The question is whether the Socialists will stop firing at each other after Sunday.

Kohl accused in row over public television

A German opposition leader dubbed Chancellor Helmut Kohl "Berlus-Kohl" yesterday as tempers flared in an acrimonious debate about the future of Germany's biggest public television network, Reuter reports from Bonn.

Greens parliamentary leader Joschka Fischer twisted the name of former Italian prime minister Silvio Berlusconi, who owns three of Italy's six television stations, in accusing Mr Kohl of playing politics with German broadcasting.

Opposition Social Democrats and even Kohl's liberal coalition partners, the Free Democrats, (FDP), also rejected his call to cut back the ARD network and reduce the influence of its biggest affiliate, West German Radio (WDR).

Kohl stoked the debate about the ARD's future on Wednesday by calling for cost-cutting and criticising WDR for what he called its "dominating power position" within the public broadcasting system.

Last week the chancellor had lashed out at WDR for a satire purporting to show him advising Russian President Boris Yeltsin how to lessen the public relations damage he suffered in the west from the fighting in Chechnya.

Mr Burkhard Hirsch, FDP domestic affairs spokesman, said: "This is an attack on press freedom and has to be fought. The idea is to reduce the effectiveness of WDR, which is a thorn in the side to many people, and in the end maybe even break up ARD."

ARD, Germany's first channel, links 11 regional public broadcasters. Its decentralised structure is supposed to reflect Germany's post-war federal system.

Feature, Page 18

The not-so-secret Swiss bank accounts

Ian Rodger on how South African prosecutors found a way through secrecy laws

There has been much scepticism about the sincerity of Switzerland's commitment to giving up its role as a haven for criminal money.

But a case involving gold smuggling from South Africa indicates that the Swiss have indeed become tougher in the past few years.

Several years ago smugglers in South Africa began to shift black market gold offshore in defiance of the country's severe gold and foreign exchange control laws.

Their idea, which required the assistance of a legitimate local refiner, was to form a volume of gold into a bar just below a normal size and then coat the bar with silver. Then the refiner would go to Customs officials for a permit to export the "silver".

The gold was then shipped to refineries in various countries, including one in the Swiss town of Neuchâtel called Metalor, where it was assayed and sold for cash.

The South African authorities believe hundreds of millions of dollars worth of gold was thus exported over several years, with much of the proceeds being deposited in two Geneva private banks, Union Bancaire Privée and Banque Multi Commerciale.

They became suspicious that a large export scheme was in operation in 1992 because the local black market gold price was virtually the same as the international price.

They soon noticed that Chemfix, a small family-controlled refiner which specialises in recovering silver from photographic fixing solution, was reporting frequent exports of small quantities of gold and large quantities of silver. A seizure at Johannesburg airport in May 1993 confirmed their suspicions that the proportions were the reverse.

The two active owners of Chemfix, Mr Wayne Stephen and Mr Keith Stephen, confessed to their role. They were convicted, and after turning state evidence, were given reduced jail sentences and fines.

The eight alleged beneficiaries of the scam however, have denied everything. They might have had good reason to be confident that the Swiss authorities would not co-operate in an investigation of alleged foreign exchange control violations.

After all, a substantial portion of the money stored by foreigners in Switzerland must be there in violation of foreign exchange controls of one country or another. More important, the prerequisite for Swiss co-operation in any foreign criminal investigation is that the alleged offence must also be an offence in Switzerland. And foreign exchange offences, like tax evasion, do not qualify.

However, the South African authorities pitched their application for legal assistance from the Swiss not on foreign exchange control violations but on charges of theft and money laundering.

Mr Pierre Aubert, the Neuchâtel prosecutor in the case, points out that the 1990 Swiss law on money laundering is much broader than those in most countries. Offences are not limited to money obtained from the drug trade but extend to funds obtained from any criminal act.

Mr Aubert says it was clear that the gold used in these operations came from the South African black market, probably from gold miners stealing it from their mines, and that the people exporting it could be expected to know as much. Thus, under Swiss law, there were reasonable grounds to believe money laundering offences had been committed.

On this basis, the Swiss provided information to the South African authorities, in particular on transactions in the bank account of Mr Keith Stephen. This was the account from which the proceeds were allegedly distributed to the various participants.

Last October, warrants for the arrest of the eight were issued. Two have fled South Africa and the remaining six are in prison pending trial this month.

Representatives of the defendants have expressed fears that the South African authorities will use the information obtained from the Swiss to prosecute their clients for exchange control violations as well. And they claim that the case shows that Switzerland is no longer a safe haven for people taking money out of their countries in defiance of foreign exchange controls.

Mr Aubert said the Swiss co-operated in the investigation on the specific condition that the information provided could not be used for proving other alleged crimes. In particular, the draconian South African sanctions against residents holding foreign bank accounts could not be applied.

And if the South Africans abused that condition? "They would never again get judicial assistance here. And for most countries it is important to have access to Switzerland."

South African prosecutors confirm the charges will not include foreign exchange offences, only fraud and theft.

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EUROPEAN NEWS DIGEST

Russian miners warn of strike

Russia's coal miners are threatening to strike unless the government pays its outstanding debts to the industry, which the trade unions claim amounts to Rbs1,300bn ($320m). The warning is a further sign of rising social tensions as the government attempts to clamp down on public spending.

The Russian Union of Coal Industry Workers will call a 24-hour "warning" strike next Wednesday and threatens it will then hold a country-wide strike on March 1 unless its demands are met. Mr Vitaly Budko, union chairman, said: "More than 1m coal industry workers are determined to defend their rights and interests."

Mr Alexander Livshits, an economic adviser to the president, said it was essential that the 1995 budget was passed as soon as possible to ensure payments could be made. He said coal miners were the "most organised fighters for their rights" but warned that social tensions were also rising in the defence industry and in the regions. More than 55,000 coal workers, who went on strike on Wednesday in the Rostov-on-Don region, have shut down 26 mines. *John Thornhill, Moscow*

MP murdered near Moscow

A Russian member of parliament has been murdered in a suspected mafia killing. Mr Sergei Skorochkin, a prominent businessman and independent member of the lower house of parliament, was found dead last night after being kidnapped earlier in the day by four armed men carrying sub-machine guns and posing as policemen. A witness said local militia had found and identified Mr Skorochkin's body in a forest near the village of Sarybievo, to the south of Moscow. He had been handcuffed before being shot in the head.

Mr Skorochkin was involved in a violent incident last May when he shot dead a Georgian whom he claimed was threatening him. He also mistakenly killed a woman passer-by. But prosecutors dropped charges against him saying he had acted in self-defence. Mr Skorochkin, 33, who had previously been in hiding in London, is the third deputy to be killed since parliament was elected in December 1993. *John Thornhill, Moscow*

EU-Turkey near customs union

Agreement on a customs union between the European Union and Turkey – the first non-member state to receive such treatment – will be reached next month, Mr Alain Juppé, the French foreign minister and current president of the EU council of ministers, predicted last night. Mr Juppé was speaking in London after a meeting with Mr Murat Karayalçin, the Turkish foreign minister, at which their British, German and Italian colleagues were also present. It is understood that Greece has agreed to lift its veto on the customs union in return for a decision to open negotiations on Cyprus's application for full EU membership within six months of the end of the Maastricht revision conference. Yesterday's talks also covered human rights in Turkey. Mr Douglas Hurd, the UK foreign secretary, said it was the "most substantial" discussion he had ever had with Turkey on the issue. The EU ministers were apparently satisfied with Mr Karayalçin's explanation of the "democratisation" reforms the Turkish government is trying to introduce. *Edward Mortimer, London*

Benetton fined for HIV advert

Benetton, the Italian clothing company, was fined yesterday by a Paris court for its advertising campaign showing human bodyparts bearing the stamp "HIV Positive". The tribunal said the company would have to pay FFr50,000 ($9,430) per day, if it continued or resumed the campaign, which was launched in late 1993. It must also pay FFr50,000 damages to three people infected with the virus which causes Aids, who said they suffered moral prejudice from exposure to the campaign. The court described the campaign as "provocative exploitation of suffering". Benetton said it would appeal against the decision. In a statement, it said it was "surprised that at no point did the court take into consideration the number of messages of support, indeed enthusiasm from both groups and sufferers". The company said that in condemning the campaign for failing to link its message and commercial activities, the court limited freedom of expression for a company long involved in the struggle against Aids. *AFX, Paris*

New Finnish foreign minister

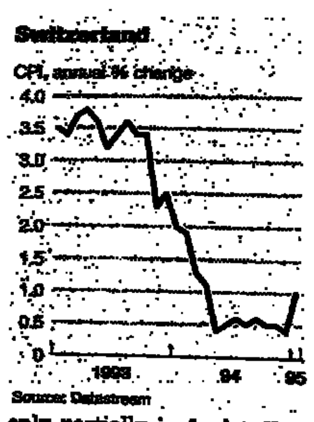
Finland's centre-right government is today expected to appoint Mr Paavo Rantanen, a former diplomat, as foreign minister. He will succeed Mr Heikki Haavisto, who stepped down from the post on health grounds on Wednesday. Mr Rantanen, 60, was Finnish ambassador in Geneva and Washington during the 1980s before taking over as head of international relations at Nokia, the telecommunications group. He is believed to have been chosen by prime minister Esko Aho because of his experience in trade policy. However, he may only serve in his new post for a few weeks as the opposition Social Democrats are favoured to return to power in general elections on March 19. Mr Haavisto, 59, underwent surgery for cerebral bleeding on January 21. He has been foreign minister since May 1993. *Christopher Brown-Humes, Stockholm*

Malta to sell control of bank

The Maltese government has announced it will sell its majority interest in Bank of Valletta (BOV) next month. The move will bring the state's interest in the island's second-largest bank down from 51.2 per cent to 25 per cent. BOV, the former privately owned National Bank of Malta group, was seized by the socialist government in 1973 without compensation. In the eight years it has been in power, Mr Eddie Fenech Adami's Nationalist government has shed shares in the two state-owned banks, BOV and Mid-Med, the former Barclays operation in Malta. Malta's 43,000-strong General Workers' Union, which opposes the privatisation of sound state-run companies, has threatened to wage a "fierce battle" to stop the sale of BOV shares. *Godfrey Grima, Valletta, Malta*

ECONOMIC WATCH

Swiss inflation kept in check



Source: Datastream

The annualised Swiss inflation rate was only 1 per cent in January in spite of the introduction of a standard 6.5 per cent value added tax on January 1. The January consumer prices index was 0.7 per cent up on the previous month, with the VAT accounting for more than half the rise. The low increase was due to January sales and the willingness of some suppliers to absorb the tax. The Federal Statistics Office said the increased tax burden had been fully passed on to prices in the energy, medication and public transport sectors, but only partially in foodstuffs, cars and telecommunications. Economists believe its full impact will feed through to prices by April, putting roughly 2 per cent on the consumer price index this year.

■ Spain's trade deficit rose to Pta287.4bn (£1.14bn) in December, up 9.1 per cent on a year previously, bringing the deficit for 1994 to Pta2,550bn, an increase of 7.4 per cent on 1993.

■ Germany's November balance of payments deficit increased to DM1.8bn (£750m), from a revised October deficit of DM1.3bn. The balance of capital flows moved from DM8.5bn surplus in October to DM2.7bn in November.

■ Norway's industrial output was up 2.8 per cent in December from November.

Flood waters recede in Netherlands

By Ronald van de Krol in Amsterdam

Flood waters in the swollen rivers of the Netherlands began to recede yesterday but authorities cautioned that there was still a high risk of some dykes collapsing in the south and east of the country.

Mr Hans Dijkstal, the Dutch interior minister, said more people may need to be evacuated in addition to the nearly 250,000 people who have left their homes this week near the Rhine, Waal and Meuse rivers.

So far, no dykes have been breached but a serious collapse of dyke defences would cause widespread damage to towns and farms in the affected region, which is now all but deserted. Police continued to patrol the streets of the empty towns. No looting has been reported.

In Germany, cities from Cologne to Koblenz began clean-up operations from the worst floods to hit the country this century. The drying out of flood-stricken cities was aided yesterday by dry, sunny weather after days of rain.

Flood waters also retreated in Belgium and France, but vast tracts of land remained submerged and many businesses stayed closed.

In spite of water levels receding in the Netherlands – the draining ground for water carried downstream from Switzerland, Germany, Belgium and France – the danger had not yet passed, Mr Dijkstal said. Although river water was no longer threatening to go over the tops of the river dykes, the intense water pressure continued to soften the walls.

"We are worried about the water that could also seep underneath the dykes," Mr Dijkstal said.

The evacuation, a preventative measure in case the dykes should fail to hold, is the largest peacetime movement of people in the Netherlands.

As public anger grew about the poor state of Dutch dykes, Mrs Annemarie Jorritsma, transport and public works minister, pledged that the upgrading of the entire network of inland river dykes would be completed by the year 2000, eight years earlier than previously targeted. The most vulnerable stretches will be ready by next winter.

In Limburg, the Netherlands' southernmost province, people began to return to the village of Borgharen, one of the first places hit when the Meuse burst its banks a week ago.

However, evacuees from Gelderland province, where the threat of dyke collapse is greatest, are not expected to be able to return to their homes until the beginning of next week at the earliest.

Damage in the Netherlands is estimated at a minimum of Fl 3bn ($1.8bn), with the figure likely to rise by the day even if the dykes hold, as farmers and companies count the cost of lost turnover and emergency measures needed to protect plant and equipment from flooding.

Russia fails to liberalise oil export trade

Russian prime minister Victor Chernomyrdin (right) with his deputy Oleg Soskovets in Moscow yesterday. Mr Chernomyrdin has been told by the IMF and World Bank to liberalise oil trade Reuter

By John Thornhill in Moscow

A government resolution promising to liberalise Russian oil exports from the start of the year has still not been effectively implemented, threatening the conclusion of a deal with the International Monetary Fund.

According to oil companies, cumbersome bureaucratic restrictions still apply to oil exports and high tariffs are also limiting the scope for profitable trade.

"I think the new regime is working in a way which is arguably worse than before," said one western analyst in Moscow. "This is likely to remain an issue with the international financial institutions until there is some evidence that the oil export trade has been truly liberalised."

The Russian government has also been criticised by one of the country's biggest oil companies, Sidanko, which has been stripped of its main production unit. Sidanko's board, which was planning to launch an initial public offering in the next few months, will meet today to respond to the government's decision to hive off Purneftegaz, which accounts for one quarter of Sidanko's annual output of 33m tonnes of crude oil.

The government's decision foreshadows a presidential decree which is expected to complete the restructuring of Russia's oil industry. Russia's eight biggest privatised oil companies and Rosneft, the state holding company, have been intensively lobbying the government to gain greater assets in the forthcoming restructuring.

Oil industry experts believe the government may want to create a powerful new state company based around Purneftegaz following dissatisfaction with the performance of Russia's privatised oil companies, known as the "eight sisters". But they expressed concern at the seemingly arbitrary manner in which assets are being reshuffled.

According to the State Customs Committee, the volume of Russian oil exports was 3.97m tonnes in the first two-and-a-half weeks of the year compared with 4.2m tonnes in the comparable period last year. However, oil supplies were disrupted by pipeline problems and a storm at the oil terminal at Novorossiysk.

Both the heads of the World Bank and the International Monetary Fund have separately written to Mr Victor Chernomyrdin, the prime minister, stressing the importance of liberalising the oil trade.

They argue that the maintenance of administrative restrictions on oil exports distorts the Russian economy and hinders its chances of joining world trade organisations. A government resolution signed on December 31 promised to lift quotas on oil exports and refrain from imposing quotas for domestic sales.

Foreign oil-producing joint ventures have been told that they must export a proportion of their production to the "near abroad" in Ukraine and Belarus. With the oil price in the former Soviet Union so much lower than on world markets that would tip many of the joint ventures into loss. So far the joint ventures have resisted the move and have continued to export 100 per cent of their production to world markets but they say the situation remains highly uncertain.

Spanish spending cuts plan splits cabinet

By Tom Burns in Madrid

A split has emerged in the Spanish government as the finance ministry finalises details on swingeing expenditure cuts that are likely to be adopted today by the cabinet in order to curb budget overruns.

Mr Julián García Vargas, the defence minister, said the proposed savings, which are scheduled to severely affect his department, represented a "grave error" and suggested that the austerity burden should be spread to include cuts in social spending. "No country in the fiscal history of the world has reduced its deficit solely by reducing public expenditure and especially by cutting it in just two ministries," Mr García Vargas, said. Together with defence, the cuts, which total Pta550bn ($4.2bn), are weighted towards the transport and public works ministry.

The labour ministry, which is responsible for unemployment relief, signalled, however, that it would oppose cutbacks in its budget and said that social spending should be increased rather than reduced. Mr Javier Solana, the foreign minister and veteran member of the ruling Socialist party's leadership, attempted to defuse the row yesterday by saying a "good" defence defence budget was "not incompatible" with the government's policy on protecting the social services.

Mr García Vargas, who joined the cabinet as minister for health and social security in 1986, told journalists that social spending had increased relentlessly over the past years. "What we have to ask ourselves is whether Spain can afford such a level of spending and the answer is no." The defence ministry is under considerable economic pressure because it is funding a 1,200-strong Spanish peace-keeping force in Bosnia. Mr García Vargas said he had been asked to cut expenditure at a time when Spain was undertaking increasing international commitments, including membership of a European Defence Force.

Despite warnings from Mr García Vargas that the domestic defence industry faced a "precarious future" on account of the cutbacks, officials said spending on health, pensions, education and unemployment benefits remained at the top of the government's expenditure agenda.

The proposed savings have been prompted by the impact of higher interest rates on Spain's debt servicing costs and by the finance ministry's estimate of spending overruns during January, particularly in the health ministry.

These threaten the government's aim of bringing the budget deficit down from an estimated 6.7 per cent of GDP last year to 5.9 per cent this year.

Alitalia apologises as dispute worsens

By Andrew Hill in Milan

Alitalia, Italy's state airline, yesterday took the unprecedented step of apologising to passengers caught up in a worsening industrial dispute.

The airline took full-page advertisements in Italian daily newspapers to explain that it was pushing through an essential restructuring plan aimed at reducing costs.

The company said the savings would enable Alitalia to "invest in the relaunching of service quality, the renewal of the fleet and development of the route network".

Pilots and cabin crew are poised to intensify industrial action over the next three weeks. Protests by air traffic controllers over a new national contract, and by airport staff worried by plans for privatisation, are likely to add to the disruption.

Alitalia has also expressed its deep concern about the alleged sabotage of two of its flights during January. The airline says passengers on the two flights – one between Rome and Zürich, and another between Rome and Catania in Sicily – were never in any danger, but it has asked Rome magistrates to investigate.

Passengers on the Zürich flight had to be switched to another aircraft after the captain noticed problems with some flight deck instruments during routine pre-flight checks.

The Catania flight went ahead, using alternative equipment, after the captain spotted damage to radio navigation equipment. In both cases, it was later discovered that cables linked to the equipment had been cut.

The dispute seems to have been inflamed by the Italian carrier's decision to lease aircraft and crew from Ansett, the Australian airline, to remain competitive on certain north American routes. On Wednesday, while cabin crew staged a two-hour strike, 150 pilots blocked the runway at Rome airport. They delayed for two hours the take-off of two Ansett flights to Chicago and Boston.

In the next three weeks at least 10 separate strikes could disrupt Italian air transport. The peak of disruption, according to the latest plans, will occur between February 13 and February 14: Alitalia cabin crew intend to strike for the whole of February 13, beginning at midnight and overlapping with the pilots' own 24-hour strike, which begins at noon on February 13. Rome's air traffic controllers plan a day-long stoppage on February 14 between 7am and 8pm.

Sabena stirs passions over Luxembourg

By Emma Tucker in Brussels

Mr Pierre Godfroid, the fiery chief executive of Belgium's Sabena airline, touched a raw nerve when he announced his vision for turning the troubled company into a more alluring prospect for foreign investors.

In a desperate attempt to reduce the state-owned carrier's costs, Mr Godfroid suggested relocating 480 Sabena pilots to neighbouring Luxembourg, where employers' social contributions are one-third that of Belgium.

The Belgian government – which has a 63 per cent stake in the company – was not amused. "What would happen to our country if all business heads came to the same conclusion?" asked Mr Philip Maystadt, the finance minister.

But with Swissair on the verge of taking a 49.9 per cent stake in Sabena and injecting the capital the airline so desperately needs, Mr Godfroid's arguments that other member states offer companies "a more favourable regime" cannot be ignored.

Employer contributions in Belgium are among the highest in the European Union and the Belgian Federation of Enterprise argues frequently that the country's competitiveness suffers as a result.

The federation's figures show that net salaries in Belgium are 38 per cent of total cash remuneration, compared with 45.6 per cent in the Netherlands, 59.2 per cent in France, and 60.4 per cent in the UK.

A Belgian businessman, who imports office materials explains: "If I want to ensure that a worker employed by me takes home BFr60,000 ($1,872), it costs me a total of BFr170,000 once social security costs and income taxes have been taken into account," he says. "Then with that BFr60,000, employees still have to pay VAT in restaurants and shops, plus extra taxes on televisions and car radios and whatever else the government finds to tax."

It is the sort of argument that delights economic liberals such as Mr Michael Portillo, the UK employment secretary, who fiercely defends Britain's opt-out of the EU-wide social chapter and who believes that the UK – where employer contributions are among the lowest in Europe – has created the best conditions for a flourishing, flexible labour market.

The Belgian government – worried about international competitiveness and conscious of its status as one of a hard core of countries set to join a monetary union before the end of the century – is very sensitive about the problem. Only a few years ago a similar rumpus erupted when the Compagnie Maritime Belge, a Belgian shipping company, decided to re-register its ships under a Luxembourg flag, citing high social security costs as an important reason for doing so.

This week the Belgian press reported that Belgian banks had been transferring their best paid staff to Luxembourg. The moves were solely for financial reasons.

In 1993 the government decided to reduce the burden on employers, by cutting social security charges on manufacturing companies.

But the government also has to meet criteria laid down in the Maastricht treaty for signing up to a single currency

> Belgian banks have been transferring their best paid staff to Luxembourg. The moves have been solely for financial reasons

along with Luxembourg, the Netherlands, Germany and France. These include the reduction of budget deficits to 3 per cent of GDP, a target not yet attained by Belgium. As a result, any reductions in employers' contributions are met with a new tax – in this case on energy consumption by non-industrial users.

A government official yesterday conceded that the burden on employers was heavy. "The problem is a focal point for the government, and the prime minister has said very clearly that he wants to reduce employers contributions."

He also pointed out that spending on social security was below the levels in the Netherlands, France and Germany. "The cost of our social policy is lower than in these countries and yet we have the lowest poverty rate in the EU. So our system is neither as inefficient nor as expensive as people claim," said the government official.

Nonetheless, the furore over Sabena has temporarily interrupted talks with Swissair and Mr Godfroid will now have to find alternative ways of reducing Sabena's costs. The case also raises interesting questions over how far Belgium is prepared to allow real labour mobility. These questions could become more pressing in a future monetary union where labour market flexibility will be at a premium.

China pushes 'patriots' in HK poll

By Simon Holberton in Hong Kong

China is encouraging "patriotic" forces in Hong Kong to participate in elections next month and September in spite of its threat to annul the result of the poll when China regains sovereignty over the British colony in 1997.

Mr Zhang Junsheng, official spokesman for the Xinhua news agency, China's unofficial embassy in Hong Kong, told a spring festival reception that participation by patriots in local politics before the 1997 handover was a way they could "fight for their rights under the rule of foreigners".

This is Beijing's most explicit guidance to its supporters to become involved in politics.

Next month, Hong Kong elects 59 people to sit on its Urban and Regional Councils, and in September elections for the Legislative Council (Legco), Hong Kong's law making body, will be held.

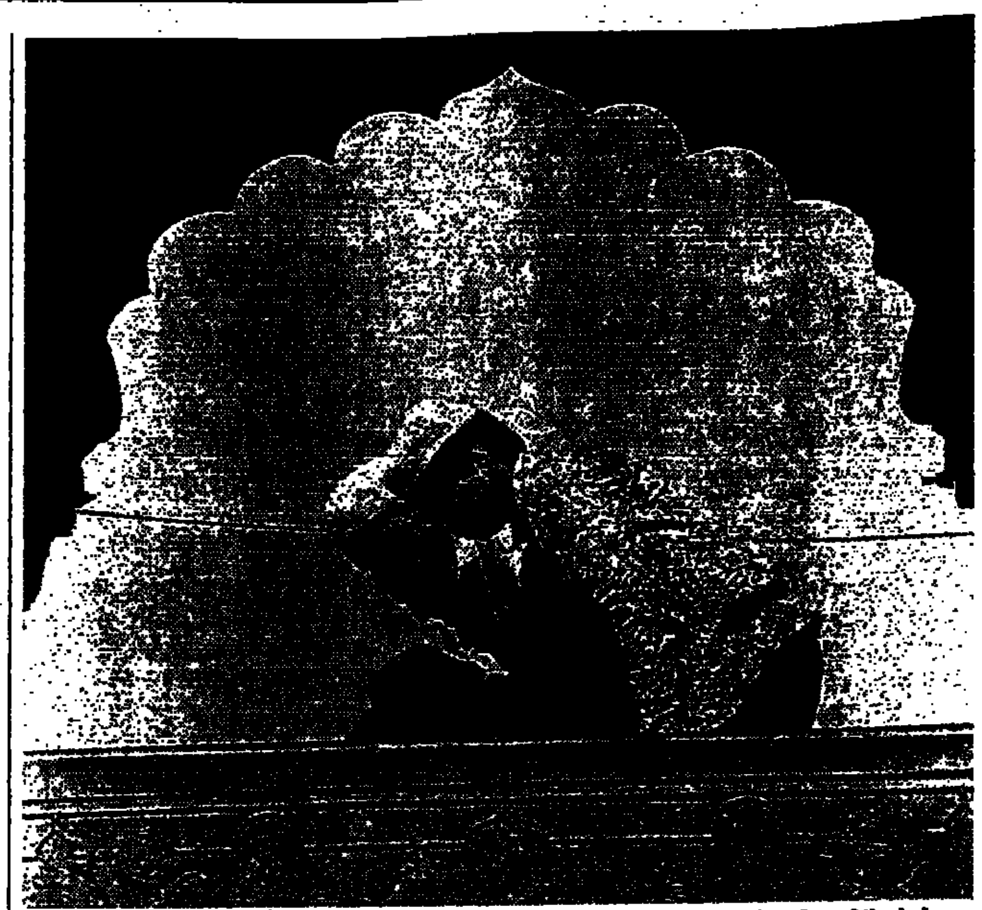
Mr Zhang's call underlines China's determination not to concede the political arena to the pro-democracy groups in the colony, which it regards as opponents. It further suggests that in spite of repeated threats to dissolve Hong Kong's three tiers of representative government China may be reserving its position. His explicitly nationalistic language indicates that nationalism may provide the excuse Beijing needs to change its position.

China's supporters fared well in last year's elections for neighbourhood representatives. Emboldened by this success, nearly a third of the 135 candidates contesting next month's Urban and Regional Council elections are from the pro-China camp.

In 31 of the 59 positions being contested liberals and pro-China politicians will compete head-to-head.

Mr Zhang quoted Mr Deng Xiaoping, China's senior leader, and said that only those who were patriotic could rule Hong Kong, but he declined to say if pro-democracy politicians were patriots. In 1984 Mr Deng defined a Hong Kong patriot as someone who "respects the Chinese nation", supports "the motherland's resumption of sovereignty", and who "wishes not to impair Hong Kong's prosperity and stability".

In urging patriotic Hong Kongers to take part in local government and Legco elections, Mr Zhang said it would help realise the goal of "Hong Kong people ruling Hong Kong" and create a leadership composed of those who loved China and Hong Kong.



Indian Moslems pray at the main mosque in New Delhi's walled city on the first day of the holy month of Ramadan yesterday. Moslems observe day-long fast, in which they do not eat or drink from dawn to sunset during the holy month Reuter

Congress casts chill over Beijing ties

Republicans will use China as a stick to beat Clinton with, writes Peter Montagnon

Those with long memories will find a certain irony in the attitude of the new US Congress towards China.

After all, it was a Republican President – Richard Nixon – who first opened up relations with communist China in 1972 and another – George Bush – who subsequently cultivated them. Now, with the installation of a Republican Congress the mood has become decidedly chilly.

It is not just that the atmosphere has been soured by trade disputes such as that over intellectual property rights which is working its way towards a climax next week. The congressional elections in November threw into prominence a number of people with strong views on Chinese issues, from human rights to nuclear proliferation and Taiwan. For the Republican majority, China has become a stick with which to beat the administration.

Just how much of the sound and fury will be translated into action is difficult to tell. But analysts say it is a safe bet there will be no new moves in the direction of the concessions which last year saw the Clinton administration reach an accommodation with Beijing on missile control and a decision to play down the issue of human rights. One tangible change is likely to be strong pressure for improved US relations with Taiwan. That will infuriate China, even if not much changes in practice.

"The handover of power on Capitol Hill is definitely going to affect our China policy," admits a senior state department official. "The Republican majority are much more inclined toward Taiwan than they are towards China."

That is certainly true of Senator Jesse Helms, chairman of the Senate foreign relations committee, who is known for his hostility towards the communist government in Beijing. Mr Benjamin Gilman, his counterpart in the House of Representatives, also opposed last year's decision by the Clinton administration to de-link the issue of human rights from the renewal of China's Most Favoured Nation trading status and is a strong critic of China's treatment of Tibet.

> One change is likely to be strong pressure for improved US relations with Taiwan

Mr Frank Murkowski, the Alaska senator who has been prominent in moulding opinion on the nuclear deal with North Korea, is an active supporter of Taiwan and keen to see President Lee Teng-hui visit Anchorage for the meeting of the US-Republic of China Business Council this autumn. The state department could find itself in the awkward position of having to justify a refusal to grant him a visa.

If the new Republicans are well placed to push the administration towards a harder line, the business community seems less likely to help it resist.

Last year it was instrumental in offsetting congressional pressure to drop MFN for China because of its record on human rights. The anger over China's abuse of intellectual property rights runs deep, however, and many businessmen are worried about the rule of law. The recent termination of fast food company McDonald's lease in Beijing to make way for a property redevelopment has damaged China's image with investors.

Even Democrats perceive a change in mood. "We have more leverage now," says Congresswoman Nancy Pelosi, who has been in the forefront of the fight on human rights. "Many Democrats did not vote with us before because they knew the president was going to use his veto."

Some congressional staffers see next week's deadline on the intellectual property dispute as a litmus test for the administration. If pressure from business is too strong to allow it to cut a deal with China, the other lobbies concerned with human rights, nuclear proliferation and Taiwan will take heart.

While the US is running a trade deficit of some $30bn (£19bn) with China, trade is likely to remain a problem. But other more general worries are mounting.

Mr William Triplett, the former chief Republican counsel to the Senate foreign relations committee, says he is concerned at the possibility of an increased role for China's military after the death of Mr Deng Xiaoping, its paramount leader. "We have to ensure that we do not contribute to the build-up of a severely anti-democratic military," he says.

Mr Richard Fisher of the Heritage Foundation, the right-wing think tank, says China is playing a more aggressive role in south-east Asia by helping push Cambodia back towards a hardline government and by its claim to sovereignty over a large tract of the South China Sea. It is in the broader strategic interest of the US to stand up to this, he says.

> The Clinton administration will resist attempts to push it into a confrontation

That puts the administration in a bind. It cannot ignore such arguments, but it needs China's co-operation in dealing with North Korea and has to bear in mind the longer term relationship with a country that seems destined to become the largest economy in the world. "Our relationship has never been that good, but we need to manage it in such a way as to make progress where we can. China is so important," says one official.

The administration will thus resist congressional attempts to push it into a policy of general confrontation. No new concessions may be forthcoming on missile sales, for example, but nor is the re-imposition of sanctions likely unless there is clear evidence that M11 missiles have been sold to Pakistan. Similarly the administration intends to abide by existing legislation on the treatment of Taiwan, which would preclude the issue of a visa to President Lee.

Nonetheless, many believe Taiwan could become a focus of general discontent with China on Capitol Hill. Not only is there a view on both sides of the political divide that Taiwan deserves to be rewarded for its progress towards democracy and trade liberalisation. Some also argue that greater official recognition of Taiwan is a means of punishing China for its behaviour in other areas.

If so, it could be a dangerous game. China is not renowned for its ability to distinguish between the views of Congress and those of the administration, and its sense of national pride is probably more likely to be aroused by Taiwan than by even the thorniest of trade disputes. The whole relationship could thus quickly become deeply fraught.

Philippines bank chief warns on investment tax

By Peter Montagnon, Asia Editor

Mr Gabriel Singson, president of the Philippine central bank, yesterday weighed into the debate over taxation policy with a warning to the government not to introduce a temporary tax on short-term portfolio investment inflows.

Mr Roberto de Ocampo, finance secretary, has said his department was studying the possible temporary introduction of such a tax to help raise revenues and ward off speculative inflows which have bloated the money supply over the past year.

However, the central bank president said such a tax would lead to a loss of investor confidence in the Philippines.

A sharp acceleration of economic growth as the reforms of President Fidel Ramos started to take effect last year brought a surge of foreign investment which pushed up the peso.

The currency was yesterday trading at 24.8 pesos to the dollar compared with 22.7 pesos at the start of 1994, but the appreciation has provoked a widening of the trade deficit which rose 30 per cent to nearly $6bn (£3.79bn) in the first nine months of last year.

The Philippines has also had to renegotiate its money supply targets with the International Monetary Fund.

A worry in financial markets has been that the peso's strength last year has now left it vulnerable to speculative attack in the wake of the Mexican financial crisis. A tax on short term inflows might encourage investors to withdraw funds on a large scale.

Mr Singson said such a levy would only be warranted if other means of controlling inflows failed.

The country retains good relations with the IMF, despite its failure to comply with its original monetary targets. Mr Howard Handy, the IMF's representative in Manila, said the country's current $684m programme could be its last.

"The performance we're seeing so far is remarkable and hopefully this will be sustained," he said.

Economic growth last year jumped to 5.5 per cent from 2.3 per cent in 1993, with the first budget surplus in 20 years. But economists say tax reforms are still needed because much of last year's fiscal improvement was due to lower debt servicing costs as the peso rose and interest rates fell.

ASIA-PACIFIC NEWS DIGEST

N Korea shuns Seoul reactors

The US and North Korea have failed to reach agreement on Pyongyang accepting light-water nuclear reactors from South Korea after five days of talks in Berlin, although the two sides reported "some progress" on technical issues. Another meeting to resolve the issue is scheduled for March. The US promised in its nuclear accord with North Korea last October that an international consortium, the Korea Energy Development Organisation (Kedo), would supply the modern nuclear reactors if Pyongyang dismantled its suspected nuclear weapons programme. A contract on the nuclear reactors is expected to be signed by April 21 under the terms of the nuclear agreement.

The US, South Korea and Japan, the three main partners in Kedo, agreed last month that South Korea should play "a central role" in supplying the reactors since it is expected to finance more than half of the $4.5bn (£2.84bn) project. North Korea, however, has refused to accept the South Korean reactors, which are based on licensed technology from Combustion Engineering of the US. *John Burton, Seoul*

Australia to send back Chinese

Hundreds of Chinese boat people, who arrived in Australia late last year mainly from the southern port city Behai, will be sent home after introduction of legislation in Australia's federal parliament yesterday. Many of the estimated 700 arrivals in detention centres in northern Australia are ethnic Chinese who had settled in southern China after fleeing or being expelled from Vietnam. Since arriving in Australia, they have generally claimed refugee status, often citing China's one-child policy as grounds. The legislation, which is unlikely to encounter serious parliamentary opposition, closes loopholes which made it difficult for Australian authorities to return immigrants and rules out the use of the one-child policy as grounds for refugee status. *Nikki Tait, Sydney*

Beijing dismisses US criticism

China yesterday dismissed US criticism of its human rights performance, saying that Washington had no right to "make indiscreet remarks" about another country's internal affairs. "We are resolutely opposed to such a move of interference in other countries' internal affairs on the excuse of human rights," said a foreign ministry spokesman. Tension over the human rights issue coincides with a looming argument over intellectual property rights. The US has said it will impose punitive sanctions on $1bn (£632m) of Chinese imports unless Beijing agrees to "concrete" action to stamp out piracy. The US is tomorrow due to publish a list of goods that will attract 100 per cent tariffs under section 301 of the US trade act in retaliation for China's failure to curb counterfeiting of such items as compact and laser discs, and computer software. Beijing has vowed to hit back by imposing tariffs on a range of US imports. *Tony Walker, Beijing*

■ The Hong Kong Monetary Authority yesterday raised its key interbank interest rate by 0.5 percentage points in response to a similar move in the US. Liquidity adjustment facility bid and offer rates rose to 4.25 per cent and 6.25 per cent. The Hong Kong Association of Banks is expected to raise the prime lending rate by a similar amount. *AFP, Hong Kong*

■ South Korea's customs-cleared trade deficit narrowed to $1.12bn (£708m) in January from $1.45bn a year earlier. It compared with a surplus of $217m in December, according to provisional trade ministry figures. *Reuter, Seoul*

■ Seoul's finance and economy ministry set February 13 as the date for abolishing limits on overseas stock and bond investments by domestic institutions and those on export and import commissions. *Reuter, Seoul*

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Mexican concerns shift to damage done by crisis

There is little cause for comfort, even if short-term liquidity problem has been resolved, writes **Stephen Fidler**

The $50bn international support package announced this week for Mexico may still be fuzzy around the edges, but most financial analysts yesterday were assuming the package would resolve the country's short-term liquidity crisis.

If the assumption is correct, concerns about the continuing convertibility of the peso and a debt moratorium will lift. But, as Mexico's economic policy-makers assess the damage the crisis has wrought in the real economy, they will find little cause for comfort.

Mexico's agreement with the International Monetary Fund assumes economic growth of 1.5 per cent this year. Many economists reckon the government will be lucky if the economy shrinks only by that much. Ms Ingrid Iversen of the British merchant bank Morgan Grenfell described her forecast of a decline of 1.5 to 2 per cent as "on the conservative side".

The reasons for the pessimism are not hard to find. Interest rates are still above 30 per cent, and the longer they stay that way the deeper the problems for corporate Mexico and the banking system. Government spending will fall this year and sharp contractions are also probable, given the atmosphere of economic uncertainty, in private consumption and investment. The rise in exports which may derive from the devaluation is likely to be modest in comparison.

Imports – which the IMF programme suggests will remain unchanged – are likely to drop sharply. This will help moderate the trade deficit and is likely to reduce substantially the $14bn current account deficit forecast in the IMF programme, alleviating the need for future finance but at the cost of a deeper recession.

The possible depth of the recession is one reason there is little enthusiasm for the Mexican stock market, since recession translates into lower earnings which have not yet been fully taken into account in market prices. Though some long-term buying was reported, based on the value of businesses (according to Barings, the entire retail sector traded on the stock market now is capitalised at less than $7.5bn), Tuesday's rally provided mainly an opportunity to sell.

The government's nightmare, however, is not so much a deep recession (bad enough), but a long recession. The speed of the correction will be determined, to some extent, by what happens this year to prices and wages.

Conservative estimates for 1995 inflation now range between 25 and 30 per cent – against the government's official December-to-December expectation of 19 per cent – amid signs that voluntary price controls are already breaking down.

If labour unions were to try to recover the losses in their members' purchasing power, the consequence would be a more extended recession, government officials said. "The higher prices rise, the deeper the recession will have to be. Monetary policy will be tightened until the orthodox programme begins to bite," said one.

The government was trying to convince unions of the benefits of a short, sharp shock, rather than suffering the inflationary consequences of high wage increases, he said. "In the end, standards of living will suffer – that's a fact."

Even if wage rises are limited, officials are conscious that the US – which accounts for more than three-quarters of Mexican exports – could be headed for an economic slowdown as the Federal Reserve lifts interest rates.

Most economists assume that Mexico's makers of economic policy will follow closely the letter of the IMF programme, in spite of the depressing consequences for the economy and the difficult social and political conditions that could result. The IMF and the US Treasury are, after all, "virtually camped in the central bank", according to one broker.

Yet there is still a huge unknown on which, sooner or later, the government will have to pronounce: the exchange rate.

Inside the government, there has been vigorous debate on the three possible options for the future currency regime: a currency board, in which the central bank issues currency only when it is backed by foreign exchange reserves; a re-pegging of the exchange rate; and some kind of currency float.

Proponents of a currency board say its advantage is that the Mexican government would have to abandon all pretence at conducting monetary policy. This is necessary, they say, given the roots of the crisis in the excessive credit expansion allowed by the central bank last year. Only a radical move such as a currency board would be sufficient to restore confidence, they say.

The proposal's detractors say that a currency board arrangement would be inappropriate at a time when there is huge uncertainty about the health of the Mexican banking system. A run on a bank would bring about a run on central bank reserves – and a devastating contraction of monetary policy.

Senior officials at the central bank believe a pegging of the exchange rate is what is needed to reduce uncertainty in the economy and bring down the risk premium which investors now require to hold Mexican assets. The question then becomes – at what rate? Five pesos to the dollar could be difficult to sustain, but six pesos would cause deep repercussions in Washington because that would make Mexican exports so cheap.

The third option – and the one apparently favoured in the finance ministry – is some kind of managed float, with the exchange rate manipulated between very broad bands to take account of past inflation. The drawback is the uncertainty that this would bring about and the long time it would take to restore the credibility of domestic monetary and fiscal policy.

Until the markets fully stabilise, there is little point in the government risking another hostage to fortune by making a pronouncement on the exchange rate issue in the near future.

Additional reporting by Leslie Crawford

A spate of profit taking weakened the Mexican stock market for the second consecutive day yesterday and the peso lost ground against the dollar, following the strong rally that accompanied Tuesday's announcement of the $50bn international rescue package for Mexico, reports Leslie Crawford from Mexico City.

The stock market index was down 1.52 per cent at midday, when the peso was being quoted at 5.45 against the dollar, against 5.38 at Wednesday's close.

Brokers said they were now trying to assess the real profitability of Mexican companies in the light of the looming recession and higher financing costs they would face in 1995. Most domestic banks are setting aside heavy provisions against an expected increase in loan defaults this year. This has dented their reported profits for 1994, due to the need to shore up capital and reserves.

"We expect many institutional investors to use this short-term rally to [leave] Mexico," Mr Gene Frieda of NatWest Washington Analysis said yesterday. "The boost to Mexico's markets from the international package will be temporary."

Brokers said they had already discounted news of the fall in the Bank of Mexico's international currency reserves, which stood at $3.48bn on January 31, enough to cover only three weeks of imports. The Bank of Mexico said reserves had fallen by $2.67bn during the month of January.

House begins debate on line item spending veto

By Jurek Martin, US Editor, in Washington

The US House of Representatives yesterday began debate on the proposal to give the president the authority to strike out any individual item of spending approved by Congress, without having to veto a whole bill.

Prospects for passage of the so-called line item veto are good. Not only is it in the Republican "contract with America" but it has long been supported by President Bill Clinton and is on the statute books of the majority of US states.

But speedy approval, coming on the heels of Wednesday's overwhelming House vote in favour of ending unfunded mandates, would lend substance to the claims of Congressman Newt Gingrich, the Speaker, that genuine progress is being made in implementing the new conservative agenda.

A majority of Democrats - 130 - joined all 230 Republicans in passing the unfunded mandates bill, a slightly different version of which got through the Senate with ease last week. A conference committee of the two chambers must now iron out discrepancies.

The bills, to take effect next year, make it more difficult for Washington to impose new rules and regulations on the states without picking up the cost of enforcement. The House bill sets a threshold of $50m nationally and the Senate $200m. Neither bill applies to existing laws and both exempt civil rights, national security and natural disaster directives.

Mr Gingrich was sufficiently emboldened to announce that he planned to introduce a monthly "corrections day" on the House calendar, to be devoted to scrutiny of government regulations.

But he also conceded that parts of his agenda were in political difficulty, in good measure because of the unwillingness of the "elite media" to give the conservative case a fair hearing.

He said passage of a constitutional amendment to limit congressional terms would be "very hard" and predicted that tort reform (changing the product liability laws to restrict damage awards) would be "a brawl."

He also admitted the balanced budget amendment passed by the House last week was "in serious difficulty" in the Senate, where debate is already under way but where a vote may be weeks off, if not indefinitely delayed by Democratic filibusters.

Last year, the amendment failed by four votes to secure the necessary two-thirds approval in the Senate and 33 of the 37 who voted against are still sitting. At least two Democratic supporters provisionally switched sides.

Apaches reject N-waste burial ground proposal

By George Graham in Washington

The Mescalero Apaches have rebuffed US nuclear reactor operators and sent them looking for another burial ground for their radioactive waste.

At the centre of the disagreement, over whether to build a dump for at least 20,000 tons of spent fuel rods on Apache land, were the descendants of the great Chiricahua war chiefs who had disagreed a century ago over whether to discuss terms with, or fight on against, the US cavalry.

This week, Mr Silas Cochise, great-grandson of Cochise, the famous leader of the Chiricahua Apaches who eventually surrendered to the US cavalry in 1872, argued in favour of building the interim waste dump, which promised to bring payments of up to $250m (£158m) from the utilities which wanted to store their spent fuel.

Mr Joseph Geronimo, grandson of Geronimo, the Chiricahua war chief who fought on until 1886, led the opposition to the project.

"There's no amount of money in the world that can convince me it is safe," Mr Geronimo said. Mescalero tribal members voted 490:362 against the plan.

The decision closes off the last possible site that could be available soon enough to handle the rapidly growing storage problem faced by US nuclear generators. "We have no working option at the moment," one nuclear industry official said.

Under the Nuclear Waste Policy Act of 1982, the US energy was charged with building storage and disposal facilities for spent nuclear fuel. Since then, utilities have paid over $10bn in fees into a fund to finance the storage, anticipating the government would start taking spent fuel off their hands in 1998.

But plans for a permanent storage site, probably at Yucca Mountain in Nevada, have been delayed, and there is no prospect of the site being ready before 2010.

The Apaches, who as a nation have more autonomy in such decisions than most such communities, had been negotiating with a consortium of 33 nuclear energy companies to build a dump to last for up to 40 years, until the federal government can construct a permanent storage site.

Meanwhile, a group of utilities has filed suit against the department after it had issued a "preliminary view" that it had no statutory obligation to start accepting the spent fuel in 1998.

Presidents in conflict: Sixto Durán Ballén of Ecuador and Alberto Fujimori of Peru Picture: AP/Reuter

Ecuador and Peru remain at loggerheads over border

Demilitarised zone rejected

By Sally Bowen in Lima, Raymond Colitt in Quito and Angus Foster in São Paulo

Renewed fighting along the border between Ecuador and Peru was followed by verbal discord between their heads of state yesterday.

In his first public statement for four days, President Alberto Fujimori proposed, in a Wednesday night broadcast, the creation of a "demilitarised zone". Ecuador's President Sixto Durán Ballén, however, rejected the plan yesterday.

The proposal came after Peru had launched another attack on Ecuadorean positions along the common border late on Wednesday, even as government officials wrangled in Rio de Janeiro over a cease-fire. Both sides have confirmed the incident.

The Ecuadorean armed forces joint command said Peru, for the first time in the week-long conflict, had used planes with helicopter artillery fire to back Peruvian infantry.

The demilitarised zone would constitute the first step towards a full cease-fire, said Mr Fujimori. He suggested the installation in the disputed area of a "commission of observers" from the four countries guaranteeing the 1942 Rio de Janeiro Protocol by which an Ecuador-Peru war was resolved.

If, and only if, it proves possible to reach agreement on "demilitarisation" of the area, "we are prepared immediately to demobilise or withdraw [our] tanks, heavy artillery, ships and submarines," Mr Fujimori said.

Mr Durán Ballén showed no sign of accepting such a deal, in an interview in Venezuela, where Latin American heads of state are meeting: "To talk of demilitarisation would essentially mean accepting an advance by the other side."

Representatives from Peru and Ecuador met yesterday for the second day in Rio, in an atmosphere described by one diplomat as "occasionally extremely tense". Deputy foreign ministers from the two countries met officials from the four guarantor countries.

Meanwhile, economic repercussions of the border conflict are being felt. The Ecuadorean currency fluctuated dramatically in response to nervous investors seeking a hedge in US dollars. Since the beginning of fighting last week, the official rate of the sucre slipped from 2,280 to 2,425 to the dollar on Tuesday. The currency recovered slightly on Wednesday but is likely to continue fluctuating, depending on military and diplomatic developments.

Haiti to receive more cash assistance

Haiti will receive about $250m (£158m) more than it was expecting from foreign donors and creditors, who have now said the country will get $900m over the next 15 months, Canute James reports from Kingston.

The pledges were made at a donors' meeting in Paris this week. This followed pleas by the government that it urgently needed access to the promised money and had met all conditions requested by prospective donors.

Mrs Marie Michèle Rey, Haiti's finance minister, said the funds will be used to rebuild the judiciary, support agriculture and improve services such as public health and education, and for balance of payments support.

Mr Smarck Michel, prime minister, said last week that the government had done everything demanded by foreign creditors, but that the administration could not continue economic reforms until it received some of the funds.

Preparation for G7 meeting

Talks in Canada focus on finance

By Bernard Simon in Toronto

Discussions about Mexico's financial crisis will dovetail neatly into preparatory work on the reform of international institutions, when finance ministers and central bank governors of the Group of Seven industrial countries meet in Toronto this evening.

The reforms to be discussed by G7 leaders – at Halifax, Nova Scotia, in June – are likely to cover a wide spectrum, from the international monetary system to the World Trade Organisation, UN development agencies, environmental institutions and combating organised crime and terrorism.

The preparatory talks this weekend, however, are likely to focus on the economic and financial sector, including the future role of such institutions as the International Monetary Fund, the World Bank, and the Bank for International Settlements.

The most pressing item for the ministers and central bankers from the US, Japan, Germany, the UK, France, Italy and Canada will be to conclude details of the new $50bn aid package to Mexico announced by President Bill Clinton this week.

The Mexican crisis has given new urgency to the proposed reform of multilateral institutions. "The ability of the international monetary system to respond to shocks has been thrown into pretty sharp relief by the [run on the] Mexican peso," a senior Canadian official said yesterday.

Among the G7 participants, Mr Paul Martin, Canada's finance minister, has felt the impact of the Mexican crisis most acutely on his domestic economy. Concerns about the stability of other debt-burdened countries and the rise in US interest rates have led a sharp drop in the Canadian dollar over the past two months.

The Canadian currency touched an eight-year low of 70.09 US cents in late-January, forcing the Bank of Canada to ratchet up domestic interest rates. The central bank set its trend-setting bank rate at 8.23 per cent this week, up from 5.62 per cent in late-October.

Rising debt-service charges have in turn played havoc with Mr Martin's projections for the budget, which he is due to table within the next month.

Canada contributed C$1.5bn (£665m) to the Exchange Stabilisation Fund set up when the Mexican crisis first broke. Ottawa has yet to disclose how it will participate in the latest aid package for Mexico.

The finance ministers and bank governors will discuss whether the IMF's and the BIS's procedures for detecting problems in member countries can be improved.

Central America's armies turn from guns to butter

Budget cuts and political unpopularity have forced the region's militaries to find a new role, writes **Edward Orlebar**

The once-dominant role of the armed forces in central America is coming under increasing challenge, but in some countries the military is turning its hand to business to retain its financial independence.

Military officers once routinely abused power, protected by their enormous political influence. But the civil wars which fuelled the armies' growth in the 1980s have petered out, and the end of the cold war has prompted foreign governments to withdraw support, forcing big budget and personnel cuts.

"Civil society has begun to question them," says Mr Gabriel Aguilera, a military analyst in Guatemala. "There is no longer armed conflict to justify their existence – the question is what is their use?" Some of the militaries are trying to define a new role in line with the changed international environment by echoing new US concerns over drug trafficking, illegal migration, and the environment.

Meanwhile the Washington-based lending institutions have recommended cuts in defence spending to divert resources to health and education.

In Honduras the army faces a future without conscription. In Nicaragua and El Salvador armed forces have lost their dominant role after deep cuts and a new political climate. Last October, Panama followed Costa Rica's lead by abolishing its army, which had kept former military dictator Manuel Noriega in power until he was ousted by a US invasion in 1989. Even Guatemala's army, the most autonomous in the region, is becoming more accountable.

The US government which bank-rolled military excesses in El Salvador and Honduras in the fight against left-wing movements during the 1980s has become a supporter of civilian democracy.

At that time the Honduran armed forces were given lavish US aid in return for harbouring Contra rebels fighting against the left-wing Sandinista government in Nicaragua. However since the Sandinistas lost power following election defeat in 1990 the Honduran military has watched support from its sponsor turn to sharp criticism of its human rights record.

In May, it had to swallow a unanimous decision by the Honduran congress to abolish conscription in favour of voluntary service, after an unprecedented consensus emerged between human rights groups, trades unions, and the business community.

"Five years ago this would have been impossible," says Mr Victor Meza, a Honduran political analyst. "This is symptomatic of the consolidation of civil society."

After a peace agreement which ended the civil war between the government and left-wing guerrillas in El Salvador in 1992 the army was cut in half to 30,000 men. Dozens of senior officers were purged for human rights abuses and the police were put under civilian control.

The institution which ran El Salvador for much of the last 60 years is now largely ignored when political decisions are taken, say analysts.

In Nicaragua the Sandinista Popular Army (EPS) has been reduced to 17,000, from more than 100,000 troops before the elections in 1990. The right-wing elements of the government regard the EPS as partisan while Sandinista supporters have been dismayed by the even-handed repression meted out against former colleagues and opponents alike involved in sporadic uprisings.

In February, General Humberto Ortega who has headed the EPS for 15 years will step down, bowing to pressure from the US and from opponents inside Nicaragua.

Only in Guatemala where an armed conflict with left-wing guerrillas persists is the army still the dominant political force. But even here, where it has acted with brutal autonomy for 40 years, it has had to accept a UN mission to monitor human rights abuses, and an independent commission which will investigate past violations once a final peace accord is reached.

An assembly of civil organisations in Guatemala has called on the government to promote peace negotiations by offering halve the army, appoint a civilian defence minister, and disband civilian militias.

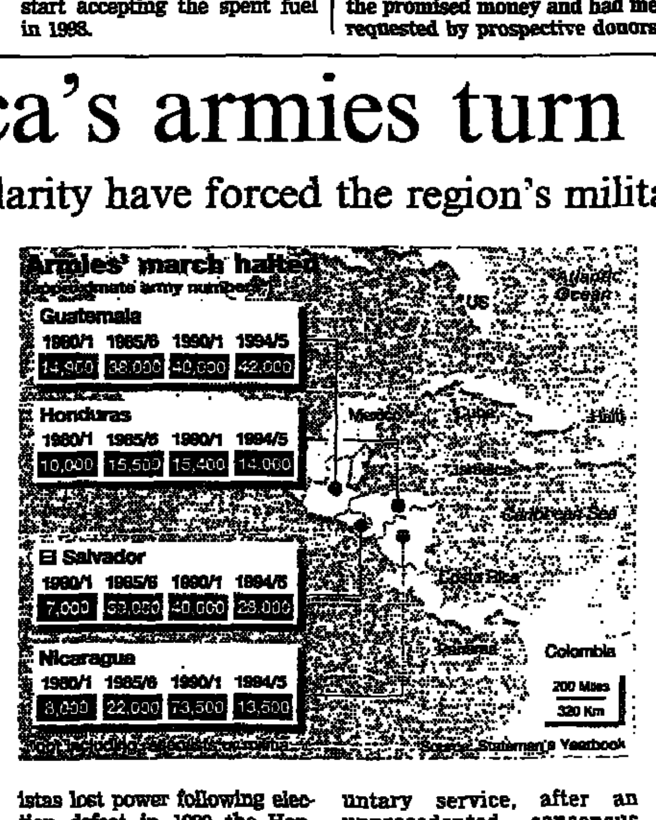
General Hector Gramajo, a former defence minister says the army is committed to reducing its political role. "It is discovering that as democracy gathers strength it loses privileges and is increasingly subject to controls and restrictions. But it accepts this."

In response to these changing circumstances, central America's armies have fallen back on building up their business interests as an insurance policy for the future, to the irritation of the business community.

Honduran businessmen have complained virulently that the army is using its remaining influence to carve itself a growing niche in the economy. Through its pension fund, the army owns a recently privatised cement company, a bank, an insurance company, and a funeral parlour among other assets.

A similar trend has taken hold in Guatemala. The military pension fund which has been running for more than 30 years owns a bank, a television station, and a 5 per cent share of the national airline Aviateca, among its known assets.

Fears are mounting that central America's armies will convert their growing wealth into political capital. "These pension funds should be regulated, otherwise they could generate a degree of financial independence for the military which would be very unhealthy," says Mr Aguilera.



Cairo summit defends peace process

By Mark Nicholson in Cairo and Julian Ozanne in Jerusalem

Leaders of Egypt, Israel, Jordan and the Palestinians were set to cap their emergency summit last night with a joint commitment to push forward faltering Middle East peace talks, combat extremist groups jeopardising the process and institutionalise the quadripartite "coalition for peace" which the meeting has launched.

Mr Yitzhak Rabin, Israel's prime minister, Mr Yassir Arafat, PLO chairman, and King Hussein of Jordan held a series of bilateral meetings with President Hosni Mubarak, their Egyptian host, before the evening summit. Mr Mubarak, who called the unprecedented meeting, is anxious to broker a resolution to a series of intractable issues which have halted Israeli-Palestinian negotiations on the next stages of Palestinian autonomy.

Mr Amr Moussa, Egypt's foreign minister, said the summit was designed to "save" the peace process, which he described earlier this week as having entered a "dangerous and critical stage".

Mr Rabin described it as a response to extremist groups seeking to derail the process, which has reached a nadir since the recent Islamic Jihad bombing near Tel Aviv in which 21 Israelis died.

It also comes at a time of standstill in Israel's negotiations with Syria and Lebanon, both of which were absent from Cairo, and during a particularly frosty patch in the Jewish state's relations with Egypt.

Behind the orchestrated attempt to signal the shared determination to push forward the stalled peace process, sharp differences remain between Israel and its Arab interlocutors. Mr Amr Moussa said in a newspaper interview before the meeting that the three Arab leaders intended to press Mr Rabin to fix a date for the removal of Israeli troops from Palestinian West Bank towns, to agree an early date for Palestinian elections and to order a halt to the expansion of Jewish settlements.

However, Arab and western diplomats in Cairo said they did not expect the summit to produce an immediate breakthrough on these issues, the chief stumbling blocks of stalled Israeli-Palestinian talks.

Mr Rabin entered last night's summit showing few signs of compromise. Although Israeli officials said they would consider an early lifting of the closure of Gaza and the West Bank imposed after the Tel Aviv bombing, Mr Rabin said he would repeat his demand that the Palestinians "carry out their responsibilities" and act more forcefully with militant Islamic Palestinian groups.

Their ability to carry this out, he said, would determine more than anything the possibility of progress towards a solution to the Palestinian-Israeli conflict.

Israeli foreign ministry officials said they expected the four leaders simply to issue a communique which would enshrine four main points: a condemnation of terrorism and a joint effort to combat extremist groups; a general commitment to advance stalled peace talks; an undertaking to strengthen economic and educational co-operation; and a pledge to institutionalise dialogue between the quartet with regular foreign ministerial meetings.

INTERNATIONAL NEWS DIGEST

Mugabe hits at IMF strictures

President Robert Mugabe, responding to sharp criticism of new Zimbabwe tax increases, yesterday lashed out at "disastrous" reforms imposed by the World Bank and International Monetary Fund. Speaking in Bulawayo, he said: "We are wiser than we were three years ago and we will not listen willy-nilly to what the international institutions tell us to do." Five years was not long enough to undertake all the reforms included in the structural adjustment programme. His comments coincided with the signing of an agreement under which the World Bank will lend Zimbabwe $600m over the next five years. The funds will be used for a variety of programmes including agriculture, telecommunications development, energy and transport as well as health and education support.

Meanwhile, a World Bank official in Harare has confirmed that next month's donors' meeting in Paris, which will be chaired by the Bank had been postponed at Zimbabwe's request to give Harare time "to put its books in order". *Tony Hawkins, Harare*

Oil group study of Niger delta

An international oil consortium led by the Anglo-Dutch energy group Shell is to spend $2m on an independent environmental survey of the Niger Delta in Nigeria. The company has been accused by some environmental groups of damaging the delta's ecology through sloppy production practices.

Mr Brian Anderson, managing director of Shell Petroleum Development Company of Nigeria, said too little was known about the factors affecting the environment of the delta. Shell has claimed that much of the damage for which it has been held responsible has in fact been caused by non-oil producing activities. Local residents have complained about leaky pipelines and frequent oil spills. *Robert Corzine*

Panel's call on ferry safety

Safety experts want ferry owners to make structural changes to keep ships afloat longer in the event of disasters like the Estonia sinking, but said yesterday they would not make specific demands. A safety investigation panel set up by the International Maritime Organisation, a United Nations watchdog agency, after the Estonia sank in the Baltic last year with the loss of 913 lives, wants ferries to meet new "sustainability" criteria. It will finalise proposals on March 3 for a May session of IMO's maritime safety committee. They expect some new standards to become law, possibly by 1997. *Reuter, London*

Fund mission for Kenya

An International Monetary Fund mission is due to visit Kenya in mid-February to review the country's economic reform programme and discuss a policy paper for future changes. Mr Walter Mahler, IMF resident representative in Nairobi, said the team would review Kenya's macro-economic situation, budget policy and restructuring and sale of parastatal companies.

He said Kenya had made progress in the past year, during which it launched radical economic changes that ranged from easing trade tariffs to floating the currency, and from freeing the oil sector to allowing foreign portfolio investors on the Nairobi stock exchange for the first time in 30 years. Finance ministry officials say government priorities include selling its stake in some 150 mainly loss-making companies and reducing a 272,000-strong civil service. Business leaders complain that both processes have been too slow. *Reuter, Nairobi*

Third World set to benefit from telecoms plan

By Frances Williams in Geneva

The International Telecommunication Union will launch an innovative investment venture later this month to channel private sector finance to telecommunications development in the Third World.

The United Nations agency says that, by directing badly needed funds towards telecoms investment vital for economic development, the venture will help narrow the widening "communications gap" between rich and poor nations. Investment is estimated to fall short of needs by as much as $30bn (£19bn) a year.

"While the First World races into the information age on the information superhighways it is rapidly building, nearly 4bn of the world's 5bn people still lack the most basic access to simple telecommunications," according to a report for the ITU by consultants McKinsey & Co.

The new organisation, to be known as WorldTel, will identify profitable telecoms investment opportunities in developing countries and bring telecoms companies, governments and private investors together to plan and carry them out. The Geneva-based ITU hopes WorldTel will launch two or three pilot projects later this year.

The ITU plan, based on McKinsey's feasibility assessment, has already the backing of leading companies such as AT & T, Ameritech and Sprint of the US, Cable & Wireless (UK), NEC (Japan), Nokia (Finland), Teleglobe (Canada), Telekom Malaysia and Telstra (Australia). Several banks are also said to be interested in participating.

The McKinsey report estimates the launch capital needed at $30m-$50m, followed by funding of some $100m-$300m for subsequent "quick-win" projects with target real rates of return on equity of 25 per cent or more. The initiative could create large new markets, bringing benefits for First and Third World nations alike, McKinsey argues.

The ITU is hoping WorldTel will square the circle for poor developing countries which cannot attract investors because of poor communications and cannot develop better communications because they cannot put up the huge sums involved.

Under the plan, WorldTel will offer countries privately-funded telecoms investment in return for government guarantees that investors' interests will be safeguarded.

Tajik rebels take heart from Russia's struggles in Chechnya

Gillian Tett, recently in Tehran, reports on another bitter regional conflict with ominous parallels for Moscow's troops

As Russia prepares for a protracted battle in Chechnya, 2,000km away its soldiers are already embroiled in another guerrilla war.

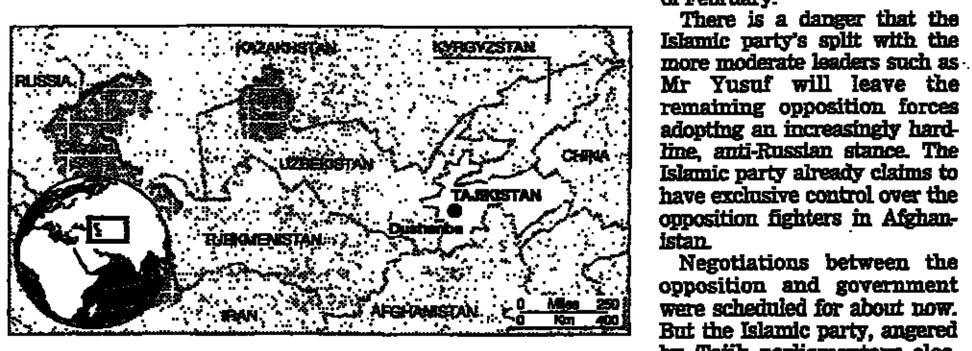
In recent weeks more than a dozen Russian soldiers have been killed by Tajik opposition forces in their three-year-old conflict with the Russian-backed Tajik government.

Though a United Nations-sponsored ceasefire was agreed late last year, the fighting has not stopped. Russian forces, which number about 25,000 troops in the republic, recently attacked rebel bases in Afghanistan, while opposition groups killed a number of Russian soldiers in raids and guerrilla attacks. In one incident, a Russian barracks' supply of wine was poisoned, killing 15.

While the attacks have gone almost unnoticed in the west, the failure to find a solution to the conflict provides an ominous parallel for Russian troops in Chechnya.

Indeed, the events in Grozny are already boosting the morale of the Tajik opposition groups in their bases in Iran and Afghanistan.

"Though we already knew how weak the Russian army was, Chechnya has shown that to the world," declared Mr Akbar Turanjonzoda, a leader of the Tajik Islamic opposition party, who was in confident mood last week at the Iranian foreign ministry in Tehran.



However, Mr Hamed Saidov of the Tajik foreign ministry says the Tajik government forces have pushed the rebels out of the republic.

With the balance of power within the opposition shifting, the next few months will be critical in determining how far the government will be able to withstand the pressure from the rebels.

The opposition, which briefly toppled the former communist regime in Tajikistan in 1992, consisted at first of an alliance between the Tajik Democratic party, supporting a broadly secular political agenda, and the Islamic Renaissance party, which propounds a more Islamic vision.

When the communist regime seized back power in late 1992 with the support of Russia, the opposition fled to Afghanistan and Iran. Since then, they have maintained a sporadic guerrilla campaign in the mountains around Tajikistan, with bitter regional conflicts fuelling the political battles.

But the alliance between the Democratic party and Islamic groups now appears to have fragmented, leaving the Democratic party increasingly weakened and isolated.

Some diplomats hope this shift may encourage the opposition to negotiate. Mr Shodmon Yusuf, a Democratic party leader, said last week in Tehran that he planned to return to Dushanbe to take part in parliamentary elections, due to be held in Tajikistan at the end of February.

There is a danger that the Islamic party's split with the more moderate leaders such as Mr Yusuf will leave the remaining opposition forces adopting an increasingly hard-line, anti-Russian stance. The Islamic party already claims to have exclusive control over the opposition fighters in Afghanistan.

Negotiations between the opposition and government were scheduled for about now. But the Islamic party, angered by Tajik parliamentary elections and the Russian attacks, is refusing to participate.

The Islamic party admits it will not be able to overthrow the government while Russian troops remain in Tajikistan. But, with the military stalemate destabilising the region, this admission is likely to offer little comfort to either the Tajik government or the Russians.

"The lesson for us – and probably the Chechens, too – is the IRA," says Mr Turanjonzoda. "They fought for 30 years and then forced the British government to compromise. We hope it will take us a lot less time."

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EU may speed textile import liberalisation

By Guy de Jonquières, Business Editor

The European Commission is considering speeding up planned liberalisation of EU barriers to textiles and clothing imports if exporting countries agree to open their markets more widely to European textile products.

The possible shift in policy emerged as the US published a draft schedule for implementing the Uruguay Round agreement to eliminate, by the year 2005, trade restrictions imposed under the Multifibre Arrangement (MFA).

The US has chosen to set out in advance its implementation timetable for the full 10-year period, rather than announce it phase by phase. Its textiles producers say the information will help them adjust to long-term changes in market conditions.

US officials and textiles producers said the schedule, to be finalised by May, allowed for orderly liberalisation in line with the Uruguay Round accord.

But importers and retailers said it left many restrictions in place until 2005, increasing the likelihood that the US industry would resist their eventual removal.

"It amounts to a 10-year extension of the MFA," said Mr Clint Stack, a Washington-based consultant who advises importers and some foreign governments. "It is irresponsible of Washington not to signal to domestic producers that they must adjust quickly to competition."

European textile producers say the speed of US liberalisation will influence their attitude to European Commission proposals to link the opening of the EU market more closely to trade concessions by textile exporting countries.

Commission officials want to boost European exports to big textile-producing countries, such as India and Pakistan, by persuading them to go beyond recent agreements to lower tariffs and liberalise quotas, notably by eliminating a variety of non-tariff barriers.

In return, they say, the EU could offer to lift MFA restrictions on "sensitive" imports from the countries concerned faster than previously envisaged, or reallocate their quotas to benefit products in strong demand.

Unlike the US, the EU has announced plans for implementing only the first three years of the 10-year transition to free trade in textiles. Few of the items designated in its schedule are covered by the MFA.

European textiles and clothing producers cautiously support the new approach being discussed in Brussels, which has yet to be approved by EU member governments.

However, Mr Camille Blum, director general of Euratex, the main industry body, said that if Europe liberalised its market faster than the US, it risked being swamped by imports.

Mr Stack calculates that, under the draft US schedule, quotas on 68 per cent of textile products covered by the MFA would still be in place until 2005, and removing them would be like falling off a cliff.

US officials and textiles producers say adjustment would be less abrupt, because quotas will be steadily increased during the next decade. However, retailers and importers say growth in quotas for many sensitive products would be limited.

Building companies eye Polish potential

By Andrew Taylor, Construction Correspondent

Costain, the UK construction group, is poised to join a growing number of European building and civil engineering companies seeking to gain a foothold in a rapidly emerging Polish construction market.

The British company is expected to announce soon that it has agreed to form a joint venture with Budimex, one of Poland's biggest building and civil engineering groups.

Budimex already has a separate joint venture with Walter Bau, a German contractor. Austrian, French, Scandinavian and Italian as well as other German and British construction groups have recently won contracts in Poland approaching $500m (£320m).

Construction output in the country, worth an estimated $9bn last year, is small by European standards but is forecast to rise sharply over the next decade as inward investment increases, economic reforms take effect and domestic output expands.

Mr Robert Donald, construction analyst with stockbrokers NatWest Securities, says: "Construction spending in Poland was only $220 per head of population in 1993 compared with an average of almost $2,000 for the whole of western Europe, $2,700 in Germany, $1,900 in France and $1,200 in the UK.

"Poland, given its relatively large population and low investment in building, has the potential to become Europe's fastest growing construction market provided political and economic stability is maintained in the region, including in neighbouring Russia."

Poland's population is 38m, about the same size as Spain, and bigger than the combined populations of the Czech Republic, Slovakia, Hungary and east Germany, making it an attractive manufacturing base for international companies seeking to break into central and east Europe.

Foreign companies that have announced investments in Poland include Ford, with a $54m car plant at Plonsk, Pilkington, which is building a $150m glass plant at Sandomierz, and Daewoo Electronics of South Korea, which plans to manufacture consumer electronic goods at Pruszkow, 25km west of Warsaw.

Bovis, the UK construction group, which is managing the construction of the Pilkington glass plant, also has a contract for a Polish food processing plant at Poznan for Nestlé, the Swiss confectionery group, and an order to build three petrol filling stations for Texaco.

Mr Mike Marshall, director in charge of the Warsaw office of Gleeds, British project managers and consultants, says: "Poland remains a difficult market to operate in. Bureaucracy is rife and planning permissions can be difficult to achieve, with ownership of sites often complicated and confused.

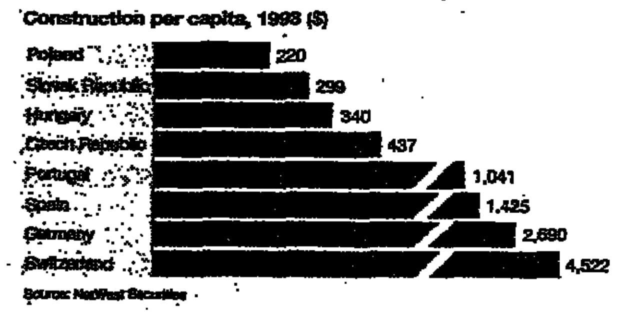
"Nonetheless a number of schemes involving foreign contractors and developers are now getting under way.

"Compared with two years ago, there were hardly any tower cranes to be seen in the centre of Warsaw. We estimate, currently, that there is a further $350m of work which definitely will be placed in central Warsaw alone during the next 12 months."

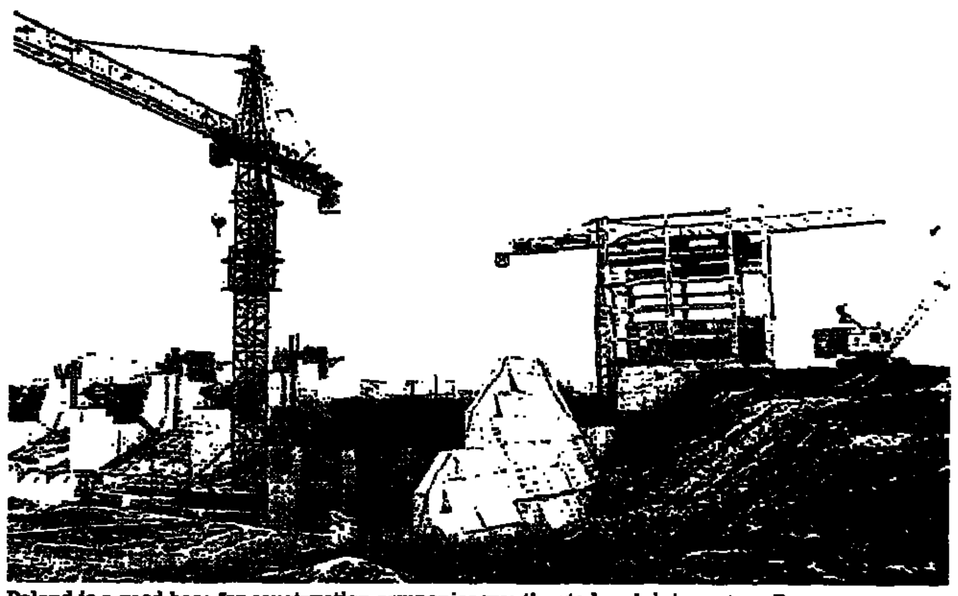
European construction companies working on Polish projects include Hochtief of Germany, which built the $270m extension to Warsaw's international airport; Bouygues of France, which is developing a commercial centre and hotel complex worth more than $100m; and Skanska of Sweden, which is building the first phase of the 80,000 sq ft Atrium Centre in Warsaw, financed by the European Bank for Reconstruction and Development.

Bilfinger and Berger of Germany last autumn acquired a 70 per cent stake in Hydrobudowa, a Polish contractor specialising in water and pipeline projects. Higgs & Hill of the UK are working on a $3m contract for the Kraft food company and a $2.5m plant for UK textile group Coats Viyella.

Eastern Europe: a market to build



Source: NatWest Securities



Poland is a good base for construction companies wanting to break into eastern Europe

Israel warning on EU trade deal

By Julian Ozanne in Jerusalem

Israel yesterday warned that it would not sign a draft association agreement with the European Union without further trade concessions.

Mr Oded Eran, the foreign ministry official negotiating the deal, said the draft agreement would barely make a dent in Israel's $7.4bn trade deficit with the EU. He said Israel was deeply disappointed over the "negligible" concessions offered by the EU.

"We expected much greater understanding from Europe about the role we are expected to play in the new Middle East as an economic magnet which will absorb imports," said Mr Eran. "We cannot play that role unless we get much greater concessions from Europe."

Mr Eran's statement follows mounting political pressure against signing the agreement in its present form. Both Mr Yacov Tsur, agriculture minister, and Mr Micha Harish, trade and industry minister, have publicly opposed the draft agreement.

Israel will make a concerted effort to push the EU into further concessions when Mr Alain Juppé, the French foreign minister, leads an EU delegation on a visit to Israel next week.

Israel wants access to public procurement in the telecommunications sector; an increase in the quota of flowers allowed to enter the market with preferential duties, a reduction of tariffs on Israeli processed food, particularly frozen sweetcorn; greater access for Israeli agricultural products and an adjustment to take into account the losses Israel has suffered as a result of the accession of Sweden, Austria and Denmark to the EU.

The EU, however, says the new agreement is a considerable improvement on the existing 1975 agreement and gives Israel such benefits as full access to the Research and Development programme; cumulative rules of origin; institutionalisation of political dialogue and opening new areas to Israeli competition, such as financial services. French officials have warned Israel that unless it signs the agreement soon it may lose the window of opportunity.

But Israel is insistent that, as this is the first time it has had to renegotiate trade issues with Europe since 1975, it must get a better deal which looks towards the future.

One possible compromise would be for Europe to grant Israel the right to reopen negotiations within three years on the disputed issues.

Total in $12bn Burmese gas deal

By David Buchan in Paris and William Barnes in Bangkok

Total, the French oil group, yesterday announced the signature of a contract to pipe around $12bn worth of natural gas from a Burmese offshore field to generate power in neighbouring Thailand over the next 30 years.

The agreement is Burma's biggest-ever business venture with foreign partners. The joint venture is based on two agreements: one to supply gas and a second covering the construction of a pipeline to the Thai border.

The deal follows agreement with the Rangoon authorities last September, and provides for a consortium of Total, Unocal of the US, the Myanmar Oil and Gas Enterprise (MOGE) and the Thailand Exploration and Production Public Company (PTTEP) to build a 400km pipeline from the Yadana offshore field to the Ratchaburi region of Thailand at an estimated cost of $400m.

The consortium will deliver gas, starting from 65m cubic feet a day in 1998 to 525m cubic feet a day the following year and worth some $400m a year, to the Petroleum Authority of Thailand (PTT).

The gas will be used to power a 2,800MW generating station in Thailand, but over the longer term extraction from the Yadana field could rise to as much as 650m cubic feet a day, with the additional output being used in Burma.

Total is to take the lead in developing the field and operating the pipeline to the Thai border, with PTT taking responsibility for the stretch of pipe inside Thailand.

Total will take a 36.75 per cent stake in the project, Unocal 33.25 per cent and PTTEP 30 per cent, but these stakes would be reduced if MOGE exercises its option to take a 15 per cent stake.

The project has been criticised by Burmese opposition groups because it will entail running part of the gas pipeline through territory contested by ethnic Mon and Karen guerrillas.

Human rights groups have said they fear that the Burmese army will use brutal methods to secure a route for the pipeline.

The pipeline will provide Burma's military regime with hard currency and supply Thailand with relatively clean energy to help it cope with demand for electricity that is expanding at more than 10 per cent a year.

The gas will be sold to Thailand at a price "probably" between $2.50 and $3 per million BTU, depending on a complex formula based on costs and world prices.

The Petroleum Authority of Thailand said this first Thai agreement to buy foreign gas was likely to pave the way for other gas supply deals.

Negotiations with Burma over the Yetagun offshore field are already under way and other suppliers such as Malaysia, Cambodia and Vietnam are being considered.

WORLD TRADE NEWS DIGEST

$105.9m car parts project for Berlin

Magna International, the Canadian-based manufacturer of auto parts, yesterday announced it will invest DM160m ($105.9m) in Berlin, a move that will regenerate a former industrial area. The project, to be located in Pankow in the eastern part of the capital, will create more than 1,000 jobs in an economically depressed area. Magna will focus on manufacturing doors, windows and safety devices for Daimler-Benz, Volkswagen and Ford. It also hopes to uses its investment to tap suppliers in eastern Germany and eastern Europe.

The investment, supported by the Berlin economic development agency, coincides with a major effort by the Berlin government to attract industry even though the considerable tax privileges and advantages that existed when the city was divided were scrapped last month. Magna, based in Ottawa, has 80 manufacturing units throughout North America and Europe and last year had a turnover of DM4bn. *Judy Dempsey*

Boeing to axe 7,000 jobs

Boeing, the US aircraft manufacturer, is to reduce staff numbers by about 7,000 this year because of a reduction in demand for its 737 and 767 aircraft.

Mr Frank Shrontz, Boeing chairman, said: "These job reductions are higher than we anticipated just a few weeks ago. Since the beginning of the year, several customers came to us asking to postpone airplane deliveries because of the continued softness of the airline industry."

Production of the Boeing 737 will fall from the current rate of 8.5 a month to seven a month by November. By the end of 1995, production of the Boeing 767 will fall to 3.5 a month from four a month.

However, Boeing said that, based on current market information, it would increase production of the 747 aircraft from today's rate of two a month to three a month in the second half of next year. *Michael Skapinker, London*

See Feature Page 18

■ Wireless Data Group, a unit of Motorola, and Singapore Telecom Page Link and several software developers, are introducing the industry's first wireless modem card in Asia. The pocket-sized device, called the Motorola Personal Messenger PC card, allows users to send and receive electronic mail, send faxes and connect with office-based computers for access to information services. *Reuter, Singapore*

■ Nuova Cimimontubi, part of Italy's Belleli engineering group, has won two contracts worth a total of L180bn ($112.5m) in Indonesia and Venezuela. Nuova Cimimontubi, which builds energy and petrochemical plants, offshore rigs and steelworks, has won a contract for the planning, supply and construction of a power station in Indonesia, in alliance with Marubeni of Japan and Stone & Webster of Canada. Separately, the company has signed a L50bn contract for the development of a petrol production plant in Venezuela, commissioned by Kellogg of the US. Belleli acquired 100 per cent of Nuova Cimimontubi at the end of last year. *Andrew Hill, Milan*

■ Swiss chemicals and pharmaceuticals group CIBA-Geigy has signed an agreement with Arabian Industrial Development Co (NAMA) to jointly produce and market epoxy resins. The Saudi Arabian partner will soon begin construction of a $40m plant for the project in Al Jubail Industrial City. *Reuter, Basle*

■ Singapore Telecom said it has set up a joint venture with Indian software company HCL and truckmaker Ashok Leyland to bid to operate basic and cellular telephone services. India's basic telephone services business is estimated to be worth about $13.3bn a year. *AFX, New Delhi*

■ Isuzu Motors of Japan will set up a joint venture in Beijing this month with three Chinese firms to produce aluminium van bodies. The joint venture, Geijin Beijing Special Automobile, will be capitalised at $2m. General Motors of the US owns 37.4 per cent of Isuzu. *Reuter, Tokyo*

■ Diversified manufacturer Hills Industries of Australia has won a A$13m (US$10m) contract to supply microwave antennas and electronic componentry to pay television company Australis Media. *Reuter, Sydney*

Clinton told to end export promotion

By Nancy Dunne in Washington

The Clinton Administration should repudiate the concept of economic security as the basis for foreign policy and abandon government-backed export promotion, according to a new report by a Washington think tank.

The report, released by the Cato Institute, a libertarian think tank with many friends in the Republican controlled Congress, calls for a review of US foreign policy priorities and an end to the mobilisation of the entire government, including US embassies and diplomats, behind the sale of US exports.

The study labels as "neo-mercantilist" *(adoption of national power as a goal and regulation as a means of increasing wealth)* policies adopted by the Democratic Clinton Administration to counter foreign competition with US government export promotion and financing programmes.

"Given the deterioration of the democratic revolution in Russia, the fragmentation of Nato, the danger of nuclear proliferation and the unravelling of the Middle East peace process, it is bizarre" for Mr Warren Christopher, secretary of state "to proclaim that economic security is his foremost priority," says Mr Stanley Kober, author of the report.

His contentions will be disputed across the Administration, which has made the expansion of US exports a top priority.

It is a policy which has been developing for years, as Republican and Democratic administrations sought to ward off more protectionist legislation in Congress and stressed export boosting measures.

"Using political and economic muscle to create an international playing field tilted towards the US, which the secretaries of treasury and commerce have admitted is their policy is extremely risky," says Mr Kober. "Other countries will respond in kind and global tensions will increase."

Mr Kober points to Japan as an example of mercantilist policies gone wrong. Its use of industrial policy and targeting has increased market share without improving company profitability, he says.

"Assumption that the government had a more long-term view than the market, supposedly one of Japan's advantages turned out to be erroneous. Not only did Japanese policy inhibit flexibility, it led to wasteful government expenditures in support of new technologies that proved faulty," he says.

He contends that the massive US trade deficit, an estimated $125bn-$130bn last year, is not important as long as the economy is growing.

This view, says Mr Alan Tomlinson, a fellow at the Economic Strategy Institute, is a refusal to recognise the realities of economic affairs and how important it is for the US to do well in relations with other countries.

"Economic power cannot be isolated from military power and the US economic national security," Mr Tomlinson and others argue. "This is especially true when talking about competitiveness in high technology."

Director-general of fair trading seeks evidence with which to combat 'pernicious' effect of cartels

Employees are urged to inform on companies

By Andrew Taylor

A 24-hour telephone hotline for whistleblowers to inform on UK companies involved in price fixing and market sharing was launched yesterday by the Office of Fair Trading as part of an anti-cartel taskforce.

Sir Bryan Carsberg, director-general of fair trading, said: "I am keen to obtain inside information – particularly from present or former company employees." The source of any information would be kept confidential.

"The economic and social effects of these secret cartels are pernicious. Their purpose is to raise prices above the competitive level in the market place, at obvious cost to customers," said Sir Bryan. Members of cartels had no incentive to invest in new technology, reduce costs or enhance the attraction of their products.

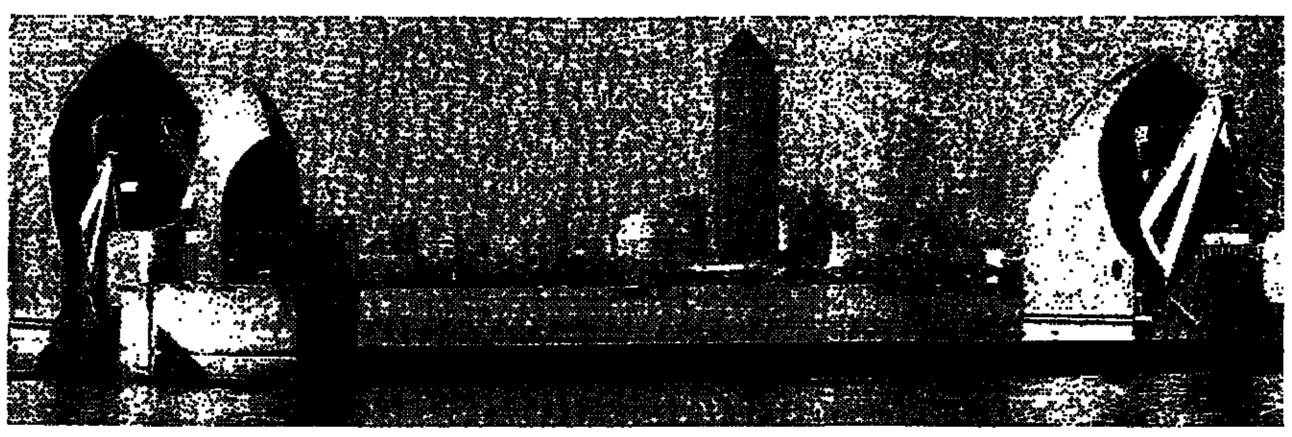
The OFT was pursing five cases of alleged price fixing and market sharing likely to result in court actions, he continued. These involved ground maintenance companies, suppliers of flooring materials, shipping services, and two separate actions involving concrete companies. About 70 agreements involving alleged market sharing and affecting more than 20 concrete companies were being investigated.

The taskforce would be making presentations to business audiences around the country to "encourage informants to come forward . . . and bring home to key workers such as purchasing executives, managers and consumers at all levels the clear unequivocal message about the damaging effect of cartels". Previous investigations sparked off by informants included: a Bristol concrete worker who had informed against a former employer, resulting in fines of £56,000 against three of the country's biggest concrete producers; a letter from a disgruntled contractor to Baroness Thatcher, then prime minister, led to the discovery of a price-fixing cartel involving more than 80 glass manufacturers and merchants.

Sir Bryan said the OFT decided to go ahead with the taskforce hotline after the House of Lords last November ruled that companies were responsible for the actions of employees even if they had forbidden workers to enter unlawful agreements.

The Lords' decision was "an important turning point", overturning an Appeal Court judgment, "which would have made it difficult for us to enforce the Restrictive Trade Practices Act".

Sir Bryan welcomed comments by Lord Templeman that fines of up to £25,000 imposed by the Restrictive Practices Court were derisory. The court might want to impose more substantial fines in future, said Sir Bryan.



The barrier built across the Thames to protect London from flooding by freak tides in the North Sea was raised yesterday. The barrier can be seen here after being hoisted by machinery kept in cowled housings built in the river.

This photograph looking towards London shows Canary Wharf, the tallest building in Britain. The National Rivers Authority predicted yesterday that water levels in many rivers might soon drop, but red alerts will remain on several

Weather, Page 20

Tension is high at factory, says Peugeot

Workers tell **Andrew Bolger** that they are being made to work much faster for too little extra pay

The once familiar rhetoric of confrontation is swirling around a large British car factory. Workers at the Peugeot Talbot factory near Coventry in the English Midlands are holding a strike ballot over pay, and complain of "bully-boy tactics" by their employer.

The French-owned vehicle group has in turn accused a "small number" among its 3,500 manual employees of working against the company and subjecting fellow workers to harassment and intimidation. It would be premature to see this dispute as marking a return to the industrial conflict which dogged the British motor industry during the 1960s and 1970s.

Rover, a subsidiary of BMW of Germany, and Jaguar, an offshoot of Ford, agreed two-year pay deals in the autumn and workers at the Nissan plant in north-east England recently received a 3.5 per cent increase. The rest of the vehicle sector was not involved in wage negotiations last year, but Ford and Vauxhall increased pay – by 3.5 and 3 per cent respectively – in the autumn as the second stage of two-year deals.

Yet it would also be wrong to underestimate the strength of feeling among Ryton's manual workers, who believe they have received scant reward for considerable improvements in productivity at the plant, which the French carmaker bought from Chrysler in 1979.

One assembly-line worker said: "They keep on speeding up the track, making us work harder and harder. But when the pay round comes, they don't want to give us the money."

Peugeot Talbot acknowledges that "tensions are running high at the moment" and seems anxious not to raise the temperature any further during the strike ballot. The result will be known on February 14.

Mr Richard Parham, managing director, has written to employees, stating: "Over the last few years we together have made significant progress, we have improved our performance and we have attained a hard-won reputation in the UK and with our parent company."

The group has invested £150m over the last five years in updating the Ryton plant – the latest stage of which involves production of a saloon version of the Peugeot 306 hatchback. It expects the additional cars to lift Ryton's total output from 73,000 last year to approaching 90,000 this year and return the company to profitability. Last year Peugeot Talbot made its first loss since the late 1980s – £8.7m before tax.

The company is offering a 3.5 per cent basic pay increase this year, with an extra £2 ($3.16) a week for an estimated two-thirds of manual employees, followed by a wage increase next year of 4 per cent or the inflation rate, whichever is the greater. There are further shift and merit bonuses.

A union negotiator said the dispute was not just about money: "The intensity of work on the track has become unbearable. People have just had enough. They are fed up with being pushed around."

One employee complained: "They are giving with one hand and taking away with the other." Another said: "They keep speeding up the track. If we don't take a stand now, we don't know where it will stop."

One employee, who said he would vote against a strike, said: "The company prefers to employ men in their 30s with children and mortgages, who would be very reluctant to stop working."

Even if a dispute is averted at Ryton, pay pressures are building in the motor industry. Rover workers recently voted only narrowly to accept a pay deal which for most of them was worth 10.7 per cent over two years.

Then the 4,000 workers at Jaguar decided in a ballot by just 273 votes to accept their offer, worth 3.5 per cent over the first year and 4 per cent or the inflation rate the year after. Industry observers believe a 4 per cent rise throughout the industry is already a benchmark for the coming autumn's negotiations.

Pro-EU Tories tell Major to scorn his rebels

By Kevin Brown, Political Correspondent

Pro-European Conservative MPs yesterday issued a warning to the government not to concede further ground to the demands of nine rebel Eurosceptics excluded from the parliamentary party.

In a forceful two-page statement, the Positive European group of MPs told ministers to ignore the nine rebels, eight of whom lost the Conservative whip after defying the government in a vote of confidence on European Union funding.

The statement, signed by 52 of the 90-strong group, said that EU membership had brought "great and continuing benefits," and claimed it would be "folly" for the government to rule out eventual participation in a single currency.

Any attempt "to follow the approach of the unwhipped Conservative 'rebels' . . . could risk precipitating our departure from the Union, with the serious economic and other consequences that would follow," the statement warned.

The Positive European group's decision to speak out follows growing unease among pro-EU Tories about the government's increasingly Eurosceptic approach to next year's intergovernmental conference review of the Maastricht treaty.

Many were concerned by the tone of ministerial statements after the cabinet agreed last week to seek repatriation of some EU powers and to oppose any proposal to weaken the UK veto or increase the powers of the European parliament.

The cabinet agreement followed a series of overtures to the rebels, most of whom have defied the government in four Commons votes. Eight of the rebels published a manifesto last month which stopped just short of demanding UK withdrawal.

The statement says that there is a strong tide running throughout Europe in favour of Mr John Major's longstanding support for the principle that the EU should take action only in when necessary to advance the common interest.

"The challenge for the government's policy in the months ahead will be to harness that tide to Britain's advantage, building alliances with all those who share our understanding of the dangers of forced integration. We can certainly succeed," it says.

The group says that ministers must be "much more willing to remind the electorate of the advantage to Britain of Union membership, and [to] counter the relentlessly negative attitudes, often based on misrepresentations, of the media and the Eurosceptics."

It would be "folly" to rule out membership of a single currency grouping at some time in the future, given Britain's trading and financial services industry interests, the statement says.

PM tries to tame Ireland critics with tea

Financial Times Reporters in London and Belfast

For all its denunciations of the leak of the framework document, the Ulster Unionist party moved quickly yesterday to take advantage of the crisis to raise the stakes.

With parliamentary arithmetic stacked in their favour, and with Mr John Major forced on to the defensive, the nine UUP members of the House of Commons are attempting to enter the negotiating process over the shape of a settlement before – rather than after – the British and Irish governments have agreed a joint position.

They are sceptical of the British government's repeated assurances that the document will be a starting point for talks and will not be imposed. They believe that, without pre-emptive action, their scope for negotiation would have been limited.

It is a high-risk strategy. It is extremely unlikely that nationalists would be prepared to allow an Ulster assembly – a majority of whose members would presumably be unionists – *carte blanche* to negotiate the nature and scope of its own relations with Dublin.

Moreover, by threatening to end their understanding with Mr Major's government, they are embarking on a course of action which could result in the election of a majority Labour administration – a prospect most unionists are likely to view with concern. With that in mind, Mr Major could opt to call their bluff.

The onus yesterday, however, was on reassurance. The prime minister held further meetings at Downing Street with Conservative backbenchers yesterday. His "cup-of-tea offensive" had two aims. One was to reinforce the message to Conservatives that Mr Major was "quietly and calmly pressing on with the peace process".

The other was to use some backbenchers as conduits to the more recalcitrant unionists, who have complained of being kept in the dark by government officials throughout the process. Senior Conservatives say they knew that the framework document, whatever its contents, would have met stiff unionist resistance. "There was always going to be a spat," a senior Conservative said.

"We always knew that it was all about preparing the ground," he added. "The leak simply means we've had to cross a higher hurdle than we had hoped, and we haven't been able to take them twice round the course." During their meeting in the Commons, the UUP MPs came to a consensus on how to proceed in the coming weeks.

The tactics are based on the classic carrot and stick. They will initiate nothing harmful to the government while the final touches to the framework document are being worked out. However, they are making clearer than before not only their bottom line, but the dire consequences for the government if it is crossed.

● A sombre mood pervaded loyalist areas of Belfast yesterday with many residents anxious about the contents of the framework document on the future of Northern Ireland, but few willing to write it off prematurely.

In the wake of this week's leaks of the unfinished document, the reactions of local unionist politicians in Northern Ireland was measured and relatively calm in contrast to the highly charged utterances of unionist MPs in Westminster.

Mr Gary McMichael, leader of the fringe loyalist Ulster Democratic Party (UDP), who is representing protestant paramilitaries in talks with the British government, said: "It is ludicrous to dismiss the document out of hand. There are bound to be bitter pills to swallow for all the parties involved. What you do is work the document down to a manageable and workable blueprint."

While there was extreme misgiving about the leaked proposals for cross border institutions giving the Republic a greater say in Northern Ireland's affairs, few people seemed willing to abandon the process.

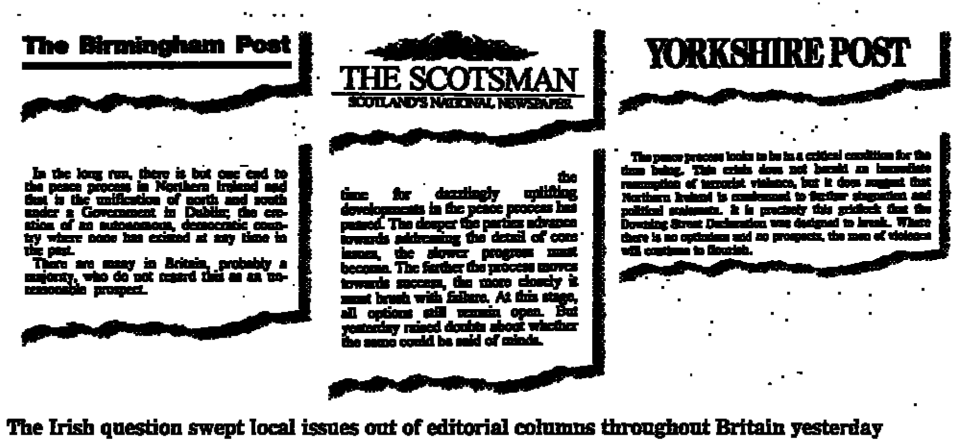
A pensioner walking on the Donegal Road, declined to be named but said: "Our politicians are jumping the gun. You must know what the proposals are before you reject them."

In the Donegal Arms public house in the heavily protestant Sandy Row district and next to a huge mural extolling the virtues of the Ulster Freedom Fighters, a clutch of afternoon drinkers were in no doubt about Britain's intentions in the framework document.

Mr Bob Stoker, a community worker, said: "There is a vacuum which is being filled with uncertainty. Some people are sitting on the sidelines saying 'I told you so'."

Mr Billy McClean, 65, said: "They are trying to hoodwink us. All those Englishmen, they don't understand Northern Ireland. They must think we are all stupid."

British officials were agreeably surprised by the muted reception to this week's leaks on the ground in Northern Ireland. "This time the protest hasn't gone stratospheric," said one official.



The Irish question swept local issues out of editorial columns throughout Britain yesterday

UK NEWS DIGEST

Inland Revenue to shed up to 12,500 jobs

The Inland Revenue plans to cut up to 12,500 jobs – nearly a quarter of its staff – over the next seven years and shut half its tax offices in a drive to improve efficiency and reduce costs. While 6,000 full-time jobs will go by April 1998, a further 6,500 are expected to disappear by 2002. On top of this, 600 jobs will be axed at the department's valuation office by April 1997. The job cuts will be across the board, with an estimated 1,800 coming from middle management over the next three years.

Sir Anthony Battishill, the Revenue's chairman, said the sweeping changes would turn the Revenue into a "significantly smaller but increasingly efficient and professional department supported by the most up-to-date technology and providing a quality service to taxpayers by people properly trained, involved and motivated". The savings are possible, says the Revenue, because of the introduction in 1996-1997 of self-assessment for those who receive personal tax forms and the amalgamation of tax assessment and collection services.

Mr Clive Brooke, general secretary of the Inland Revenue Staff Federation, said the cuts were "fearsome" and added his members were "very angry but also very frightened". *Robert Taylor, Employment Editor, and Jim Kelly, Accountancy Correspondent*

Reuters alliance with Murdoch

British Sky Broadcasting, the satellite television company, and Reuters, the news and information group, announced yesterday an alliance to build "an important new force in international television news". Sky News will retain editorial control of its output and keep its own journalists in the UK and in its handful of foreign bureaus. Reuters will provide the behind-the-camera services and additional supply of news in the UK and abroad for the 24-hour Sky News channel. Reuters will also produce particular programmes for Sky News.

The partnership, first mooted several months ago, is expected to challenge Independent Television News for the supply of news to some broadcasters in the UK and might also set its sights elsewhere. The combined resources of Sky and Reuters "will provide a platform for the global expansion of Sky News," Mr Sam Chisholm, BSkyB chief executive, said. He declined to disclose financial or operational details. Mr Rupert Murdoch's News Corporation holds the biggest stake in BSkyB while Pearson, the media group which owns the Financial Times, is also a stakeholder. *Martin Mulligan*

Interference on TV, Page 18

Netherlands insurance link

LLOYD'S
LLOYD'S OF LONDON

Lloyd's of London underwriters have for the first time taken a stake in a tele-sales insurance venture outside the UK – a Dutch private motor insurance company launched earlier this week. Polis Direct, which hopes to repeat in the Netherlands the success of UK "direct" insurers such as Direct Line, will be 40 per cent owned by about six Lloyd's managing agencies running syndicates at the insurance market.

All policies sold by Polis Direct, which the company says will be at least 10 per cent cheaper than from other Dutch insurance companies, will be underwritten by the Lloyd's syndicates. A further 35 per cent of Polis Direct will be held by Polis Direct UK, a joint venture between the management of the Dutch company and Ballantyne, McKean and Sullivan (BMS), a London-based broking company. The remaining 25 per cent is owned by Bovemij, the insurance subsidiary of Bovag, the Dutch motor traders' association. *Ralph Atkins, Insurance Correspondent*

Extra runways ruled out

Extra runways at London's crowded Heathrow and Gatwick airports were ruled out by the government. Mr Brian Mawhinney, transport secretary, called instead for a further study lasting up to three years about the need for extra runway capacity in south-east England. But he asked BAA, operator of the UK's biggest airports, to see if there were "less damaging options" such as a close parallel runway for lighter aircraft at Gatwick.

Mr Mawhinney said there was a strong case for extra runway capacity in south-east England, but a third full runway at Heathrow or a second one at Gatwick "should not be considered further". Meanwhile more work was needed "to inform decisions on any proposals which operators may bring forward for additional capacity." The government's difficulty is that all proposals for extra capacity near London arouse local fury, often in areas with strong support for the Conservatives. *PA News*

Countryside "not a museum": The population of rural areas is rising as people move out of towns to live, if not always to work, said Mr William Waldegrave, agriculture minister. "We shall need to engage in some crystal-ball-gazing on whether the growth of telecommunications will lead to more people working from home," he said at a farming conference.

School warning: A headmaster warned parents that some of his 1,000 pupils might have to go on a three or four-day week because his school faced a cash squeeze. Robin Lees, of Swanwick Hall School in Alfreton, central England, acknowledges that the move might be illegal. But it would also be illegal for the school governors to push spending above their official budget, which is to be cut by at least 5 per cent this year.

Fabric jobs to go: About 100 jobs will be lost when Amoco Fabrics, the textile division of the Amoco oil corporation, closes its polypropylene fabrics plant at Dundee in eastern Scotland. Amoco Fabrics said the closure followed a review of European operations triggered by fierce competition from eastern Europe and the Far East. Amoco acquired the Dundee factory in 1986.

Company failures rise: Company failures, in terms of receiverships and administrations, jumped by 20 per cent in January to 166 compared with the previous month, said accountancy firm Touche Ross. However, 166 compares favourably with the 1994 monthly average of 176, and Touche Ross commented: "On closer analysis of the underlying trends it would appear that there is little cause for concern."

Industry squeals while City purrs

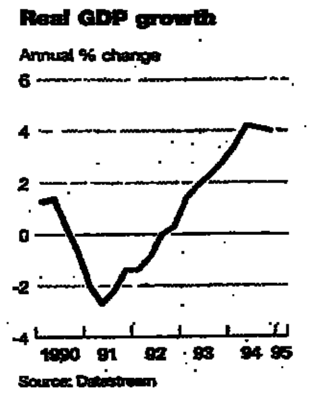
If the UK monetary authorities had been in any doubt about the difficult balancing act that now dogs policy, yesterday's reaction to the 0.5 percentage point rate rise should have driven the message home, write Michael Cassell and Gillian Tett. The rise was applauded in City of London as further evidence of anti-inflationary policy. But it provoked squeals from industry, who warned that it could curb consumer spending and also – more crucially – restrict badly needed investment.

With many economists believing that inflation will rise further while economic growth gradually slows, the double-sided response is likely to leave the authorities treading a delicate policy path in the months ahead.

As Mr Jonathon Loynes, UK economist at Midland Global Markets, said: "The authorities are facing a bit of dilemma now. Although they've raised rates to stave off inflation, this could hit investment – which could create capacity problems and new inflationary pressures in the future."

These warnings were yesterday echoed by industry. Mr Howard Davies, director-general of the Confederation of British Industry, said CBI survey evidence suggested that inflation remained under control. But the position was finely balanced and the increase in US rates had inevitably put pressure on the UK authorities.

Mr Graham McKenzie, director-general of the Engineering Employers Federation, said: "What really matters for investment is medium and long-term interest rates, which are already well above 8 per cent."



Boost sought for international credibility

By Peter Norman, Economics Editor

Yesterday's half percentage point increase in base rates to 6.75 per cent has all the hallmarks of a finely balanced decision. Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England, had at various times over the past month made noises suggesting that a rate rise was not certain.

Yesterday's monthly monetary report from the Treasury admitted that the latest indicators were mixed, with some pointing to a moderation of growth and others showing a more buoyant picture.

The increase, the third half point rise since Mr Clarke and Mr George began their programme of pre-emptive monetary tightening last September, appears in some ways the most difficult to justify.

True, retail prices rose unexpectedly sharply in December, with underlying inflation excluding mortgage interest payments rising at a year on year rate of 2.5 per cent, at the top of the government's target range for the end of this parliament. But the housing market is flat on its back, with house prices continuing to fall.

As the chancellor announced yesterday, the UK's current recovery is "healthy and well balanced" with much of the growth generated by exports. Some key indicators of economic activity have pointed to quieter times ahead. Manufacturing output fell in November while the upward trend in retail sales showed signs of fallening off.

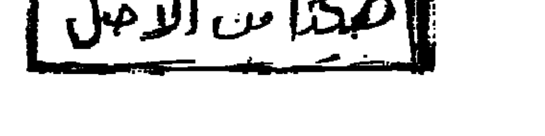
But two domestic factors weighed heavily with the chancellor and governor and their officials.

● The December figures for manufacturers' output prices suggested that higher raw material prices for industry are working their way through the price chain, generating future inflationary pressures.

● Preliminary estimates of fourth quarter national output, showing gross domestic product up an unchanged 0.8 per cent on the third quarter and 4 per cent higher than a year before, were judged a clear sign that the economy was growing at a faster rate than its productive capacity. But neither the Treasury nor the bank believes the economy is growing at a breakneck speed.

International events played a subsidiary but important role in yesterday's decision. Britain has been well insulated from recent disturbances in emerging markets and spared the financial problems that have afflicted heavily indebted European Union members such as Italy and Sweden. But with financial markets having fully discounted yesterday's UK interest rate rise for some time, the authorities reasoned that a prompt implementation of the rate increase might add to the UK's international credibility and security from financial storms abroad.

Labour charges that the decision to raise interest rates to 6.75 per cent reflected the underlying weakness of the economy were rejected by the government in the House of Commons yesterday, our Parliamentary Correspondent writes. Mr Kenneth Clarke, chancellor of the exchequer, said the key judgment was how to sustain the recovery, and this involved making sure that inflation did not get back into the system. To cheers from the opposition benches, Mr Tony Blair, leader of the opposition Labour party, scoffed at government claims about the strength of the economy. "What kind of recovery is it that peaks when for millions it has barely even begun?" he asked. Mr John Major, the prime minister, retorted that the current level of interest rates matched the lowest achieved by the last Labour government. He said Mr Blair had showed "cheek in denying history".



THE PROPERTY MARKET

Simon London asks whether the retail sector's optimism can last

Investing all over the shop

There is an old fund management saying that there is nothing more dangerous than a consensus. On this view, the enthusiasm of UK and overseas investors for retail property is likely to end in disappointment.

While most of the UK property market finished 1994 in a subdued mood, the retail sector continued to hum with investment activity.

Demand for retail property from investors has been reflected in the price: high street shops in good locations have been changing hands on yields of less than 5 per cent.

Last month also saw a flurry of announcements which suggested that investors are ready to commit funds to large retail developments. These included:

- AMP Asset Management has acquired a half share in Glasgow's Buchanan Street development project from Grosvenor Square Properties, the property arm of Associated British Ports.

AMP and Slough Estates, which owns the other half of the site, are now keen to press ahead with the 650,000 sq ft development and work should start this year.

- Capital Shopping Centres, the quoted property company, has joined the joint venture between retailers Marks and Spencer and J. Sainsbury which is planning to develop a regional shopping centre and leisure facilities at Braehead, outside Glasgow.
- Land Securities has signed a development agreement and 999-year lease for the White Rose shopping centre outside Leeds. Preparatory work has started on the £115m scheme.
- Lend Lease, the Australian company, has submitted revised plans to the local authority for Bluewater Park, Kent, which could be the largest shopping and leisure scheme of its type in Europe.
- Prudential and J.T. Bayliss, joint developers of the 700,000 sq ft Cribbs Causeway shopping centre on the outskirts of Bristol, have appointed Bovis Construction to manage the project. Work has started on the 72-acre development, which is due to be completed by September 1997.

The question is whether the outlook for retail rents is sufficiently bright to justify this new wave of investment in large shopping centres, as well as the high prices being paid for high street shops.

From a macro-economic perspective, the worry is that economic recovery will generate less consumer spending and lower inflation than previous economic cycles. A recovery led by exports and capital investment – which many forecasters predict – would favour industrial property, not shops.

Recent economic statistics have been encouraging for retailers and investors alike. Despite the gloomy pronouncements of retailers in the run-up to Christmas, December was a bumper month. The year-on-year rise of 3.8 per cent in seasonally adjusted retail sales volumes looks healthy enough.

Moreover, December brought a higher than expected jump in retail prices. A modest dose of inflation would help retailers to expand margins and, in theory, let them pay higher rents.

Whatever the pattern of economic recovery, though, growth in consumer spending is unlikely to be spread evenly across the country.

The chart shows three regional forecasts of high street rents by Erdman Lewis, the surveyors, which has just put the finishing touches to a new forecasting model developed with Cambridge Economic Consultants.

The model predicts a wide variation in the regional performance of high street rents, depending largely on the underlying strength of regional economies.

The East Midlands is expected to be the best performing region of the UK over the next four years. Greater London is expected to perform worst.

Investors in large out-of-town or city centre shopping developments argue that such schemes are sufficiently large to buck regional trends.

This is backed by evidence from retailers. In a recent survey by DTZ Debenham Thorpe, the surveyors, retailers said that three existing regional malls – Meadowhall in Sheffield, the MetroCentre in Gateshead and Merry Hill in Dudley – had overtaken London's Oxford Street as the UK's most successful trading locations.

Besides, investors argue that it is necessary to look beyond the next few years when placing funds in large regional shopping centres.

Mr John Whalley, director of property investment at AMP Asset Management, says: "Retail rental growth is likely to be patchy and localised, so the choice for an investor is between good locations and bad locations. When the opportunity arises to buy into a project like Buchanan Street, you have to take a strategic view."

A shift in government planning policy over the past few years – which means that few new out-of-town shopping centres are likely to get planning permission – has also given rarity value to existing schemes.

But what of high street shops? Despite the government crackdown on new planning permissions, there are enough out-of-town shopping centres in the pipeline to saturate the UK. Bluewater Park, Braehead, Cribbs Causeway, White Rose and possibly Dumplington near Manchester (which is the subject of a planning appeal to the House of Lords) will provide intense competition for many town centres. The only obvious gap in the network of large regional shopping centres will be to the west of London.

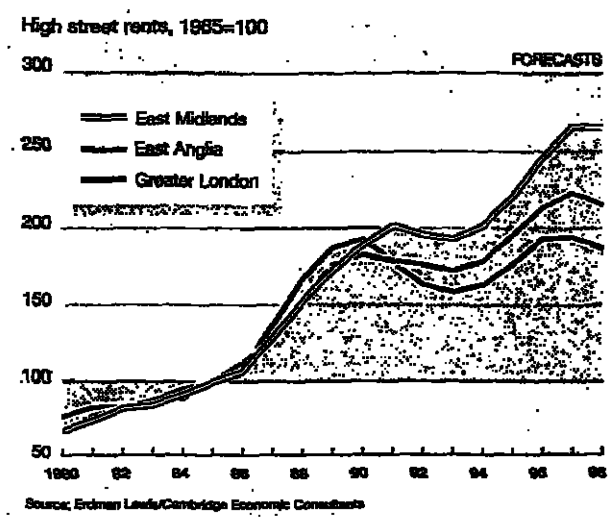
Against a background of relatively sluggish and patchy growth in consumer spending, this heightened competition could be bad news for high street rents and, ultimately, for property values.

"Although there are exceptions to the rule, our view is that high street shops are generally overpriced, given their rental growth prospects," says Mr David Watt of DTZ Debenham Thorpe.

Of course, it is possible that the UK will fall back into the pattern of high consumption, low investment and inflation which has bedevilled it for the past 30 years. Shops would be a good hedge against this eventuality. But without hard evidence of a lift-off in consumer spending, investing in many British high streets requires a leap of faith.

Shopping for shops

High street rents, 1985=100



Source: Erdman Lewis/Cambridge Economic Consultants

The mood turns more cautious

A month ago this property column asked investors about their expectations for investment returns and found many fund managers anticipating a healthy 10-15 per cent total return from property in 1995. Legal & General, one of the UK's largest life insurance companies, this week put forward a more cautious view.

The company, which holds about £2.5bn commercial property in its main life fund, is expecting the market to show virtually no capital growth this year. This will result in a total return of only 5-10 per cent.

As a result L&G is shifting its life fund away from property, bringing to an end an 18-month period during which it favoured bricks and mortar over other financial assets.

Mr David Shaw, L&G's director of investment strategy, argues that the yield gap between property and 10-year gilts – at 1.5 percentage points – is close to the long-run average of the past 10 years. This suggests that property is fairly valued at current levels.

However, the depth of the last recession has left the economy so far below trend output levels that there is scant chance of anything more than modest rental growth.

On this view, the overhang of empty space will restrict rental growth to perhaps 5 per cent this year. Mr Shaw maintains this would be enough to support capital values but not to drive values higher. "Looking back over the last 20 years, property investors appear to require, on average, 5 per cent rental growth to persuade them to accept prevailing property values," he says.

In other words, the costs of administering, dealing and refurbishing property are such that it takes a modestly rising income stream simply to maintain the capital value of the investment.

None of this means that L&G is about to sell large slices of its property portfolio. It is keen to expand its portfolio of – you guessed it – retail properties.

But the company will channel more of its cash flow into bonds and equities this year and reduce the property weighting of the life fund. This is not good news for the property market, especially if other long-term investors follow suit.

It is worth noting that the most cautious investor in last month's straw poll was the Prudential, L&G's great rival in life insurance, which expected a total return from property of 7-8 per cent this year.

Simon London

COMMERCIAL PROPERTY

RECRUITMENT

JOBS: Organisation in the natural world may provide valuable lessons for the way we work

Natural selection and corporate survival

Whether as employees we like them or not, we must accept that many, if not all large companies have now embraced some of the human resource or new management techniques designed to produce slimmer, fitter and more effective organisations.

Downsizing, delayering and outsourcing may be unwelcome additions to the English language, but we have come to understand what they mean. What seems less clear is the long term consequences of these activities. Already many restructured financial institutions are reporting malaise among employees as a result of workplace change. This emerged in two recent studies – one by Sundridge Park Management Centre and one by Roffey Park Management institute – quoted here previously.

It was clear from the studies that employees were beginning to wonder where the changes would end, given the prevailing business belief that a willingness and ability to change or adapt is essential for corporate survival.

What will happen to companies, however, if human resource initiatives are taken to their extremes? Suppose your company has placed all its non-core activities out to servicing contractors, some of them perhaps newly autonomous enterprises composed of people who used to be your colleagues.

Is there a possibility of the healthiest of these fledglings growing to a degree that they no longer simply provide a service to the former parent but create a mutual dependency?

Evidence emerged only this week from the Open Learning Foundation suggesting that delayering had left some companies with a shortage of management skills: the sort possessed by the older middle managers they had got rid of. It may be that the drive to pare down costs is leaving some businesses weakened to the point of vulnerability.

I am reminded of those sharks in nature films, swimming about with little fish attached to them or milling in and out of their gills cleaning away all their parasites. The shark needs the little fish and the little fish need the shark. But what happens when the little fish find a better source of sustenance and grow bigger, possibly turning into predators themselves, and leaving their former hosts prey to the parasites?

Does business mirror life? Are companies constantly undergoing evolutionary change in the way that was recognised in nature by Charles Darwin? If so, will this evolution be gradual or interspersed with great leaps arising from sudden change triggered by unusual circumstances?

Some comparisons between the structure of organisations and living organisms are made in a book called Creative Compartments by Gerard Fairtlough, which suggests that we have entered an era of rapid change in business.

The age of the large hierarchical organisation, he suggests, could be coming to an end. If big companies are to flourish, says Fairtlough, they will need to be reorganised in a series of interlinked creative compartments ideally of about 100 people each.

Fairtlough, a biologist and founder of Celltech, the biotechnology company, uses the living cell as a metaphor for the creative compartment. He observes similarities in the interplay between companies and that of animals, where predator and prey populations evolve together, interacting with other animal groups. In Japan and China, he notices that while fierce competition exists between companies, there is also much co-operation, particularly between a large manufacturing company and its trusted sub-contractor.

"As the hollowing out of large firms continues, we may expect them to become co-ordinators rather than operators, concerned with big activities but only doing some of them in-house" he writes.

He cites Benetton, the Italian fashion house, as a successful example of this kind of structure. It has several thousand retail franchises which contract to sell only Benetton products but remain separate firms. Much of its manufacturing is carried out by more than 200 companies, mostly in northern Italy.

He writes: "The subcontractors are of various kinds – firms controlled by Benetton, firms set up by former Benetton managers, some independent firms and even homeworkers." While electronic communications supports the various links, Fairtlough also notes that there already existed in the Emilia-Romagna region of Italy a tradition of interlinked companies.

An example of a compartment-style internal corporate network, he notes, can be found at Rolls-Royce Motor Cars in Crewe, Cheshire, which divides its plant into 16 zones, each of about 100 people grouped into teams. Whitbread brewery's Welsh plant is organised into four areas – brewing processing, kegging and canning – each with around 100 people where self-management among shift teams is encouraged.

Fairtlough, a one-time chief executive of Shell Chemicals UK, is not writing off the big company. Oil and gas exploration, he accepts, needs investment on a scale that only the largest organisations can undertake. Shell, he says, has developed a multidisciplinary approach to oil exploration and extraction. Integrated working groups with a high degree of autonomy are responsible for the lifetime management of an oil field. These integrated oilfield teams, says Fairtlough, show that large companies such as Shell are starting to hand over the management of such tasks to compartment-sized work groups.

The challenge for such companies will be to provide their employees with the training, information, feedback and power necessary to maintain a cohesive structure. Such organisation, as Fairtlough suggests, may leave room for a variety of business arrangements including collaboration and co-operation. SmithKline Beecham, the pharmaceutical company, for example, has established a range of collaborations since 1992 with various universities and research establishments. Perhaps, in such circumstances, there may be less incentive to be predatory.

This broad delegation of responsibilities may also raise questions over the role of the centralised board. Will the parent group directors be as important as they once were, and, if not, should they continue to merit the pay differentials that they have traditionally enjoyed?

Creative Compartments by Gerard Fairtlough is published by Adamantine Press, price £35 (hardback) and £17.50 (paperback).

Meanwhile some developments seem depressingly familiar. New York investment banks have been cutting staff in the same way that London-based securities houses did in 1987 and 1988 according to Richard Parnell, the New York director of Robert Walters, the financial recruitment specialists.

Companies, he says, have been reacting to reduced revenues by shedding office staff while at the same time recruiting better qualified finance staff.

In spite of widespread redundancies in accounting and operations areas, he reports that all but one of the large firms are still recruiting, particularly in derivatives support, client services, risk management, credit and regulatory reporting.

The trend towards upgrading expertise when replacing staff and increasing demand for specialist staff, says Parnell, has created a wide salary scale for accountants with two to four years experience beyond qualifying. Base salaries of newly qualified certified public accountants and chartered accountants can vary from $50,000 to $77,500.

Richard Donkin

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Applicants, who must be nationals of a Member Country of the European Union, including Austria, Finland and Sweden, are invited to send their curriculum vitae, in English or French, together with a letter and photograph, quoting the appropriate reference, to:

EUROPEAN INVESTMENT BANK
Recruitment Division (Ref.: FI/C 9501)
100 boulevard Konrad Adenauer
L-2950 LUXEMBOURG. Fax: 4379 3360.

Applications will be treated in strictest confidence and will not be returned.

Management Trainee

Long term development and growth in private limited company expanding in Central London. Individuals aged 23-35 seeking opportunities in financial markets. Potential to progress to senior management, with full profit participation.
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For private placement program for high net worth individuals, banks, insurance companies, funds, etc. Must have 10 yrs experience. Fax resume to New York City 212-758-8137

Citibank is one of the world's largest financial services organizations. It has offices in 90 countries, assets of USD 250 billion and employs more than 80,000 people worldwide.

As a result of expanded activities, Corporate Audit, an independent organization within the bank, is seeking talented and experienced professionals (m/f) to join its Brussels based team. This team has responsibility for Benelux, France, Monaco and twelve African countries covering a full range of international banking products and their supporting systems.

Technology Audit Manager

Senior Technology Auditor

This position involves day to day responsibility for the running of technology audits throughout the area. Responsibilities also include participation in the technology aspects of product and operational audits. Three years experience of technology audit or project management is required.

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Senior Auditors will lead financial and operational audits in all segments of the Bank including the Global Finance, Private Banking and Consumer sectors. Candidates should have at least four years of professional experience in external or international internal audit.

All candidates will have an excellent command of English and French. Knowledge of other European languages is an asset.

All positions offer an attractive remuneration package, extensive audit and product training as well as excellent career possibilities. Frequent opportunities for international travel exist.

Applications with complete résumé and photograph should be sent to CITIBANK N.A., Corporate Audit, for the attention of
Mr. Daniel Fontana,
249 Av. de Tervuren,
B-1150 Brussels, Belgium.

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Marketing Executive Investment Management – USA/Canada

City Merchant Bank is seeking to appoint an Executive to its Investment Management Marketing team.

Working within a team, your primary responsibilities will be to provide the foundation of support to US Marketing Agents' Activities in addition to the production and supply of all necessary information required by the US and Canadian Pension Fund Consultants.

An in-depth knowledge of the UK Investment Management business together with direct experience of the US Investment Management Market and its consultants is essential to this position.

If you are interested in this position, and meet our criteria, please send your curriculum vitae (including current remuneration details) by Wednesday 1 March to

P.O. Box A5116,
Financial Times,
One Southwark Bridge,
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Experienced salespeople required to cover a well established client base. Proven track records required for this position. Please call Richard Ward.

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Corporate Finance — £60K + Bens
Top UK House requires a qualified Accountant between 25-30 for a Pan-European role. The ideal candidate will possess Corporate Finance experience and modelling skills. A European language is essential. Please call Georgina Hutchinson.

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Experienced salespeople required for Middle-Eastern coverage. A proven track record and client base is essential. Please call Mark O'Connor.

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Urgently needed by this top European House for a candidate with a minimum of two years experience covering the ITL or PTS books. Risk management exposure with derivatives knowledge in a proprietary involvement can be beneficial. Call Andrew Stone for further details.

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For further details please call on 0171-377 6488 or send/fax your CV to us.
All applications are treated in the strictest confidence.
For enquiries outside business hours call 0181-245 0160.

CAMBRIDGE APPOINTMENTS
232 Shoreditch High Street, London E1 6PJ. Fax no. 0171-377 0887

INTERNATIONAL INVESTMENT BANK
QUANTITATIVE FIXED INCOME STRATEGY AND ANALYSIS
LONDON - BASED

As a recognised leader in the fixed income and equity markets, we are a leading International Investment Bank providing a comprehensive range of products and services in the primary and secondary bond and equity markets, currency and interest rate swaps and options, fixed income and equity derivative products and specialised instruments.

Expansion of our well-established Global Bond Strategy group has created the need to enhance our existing capabilities in Quantitative Research and in particular in direct applications of quantitative techniques to active portfolio management and bond trading.

This role is very much "hands on" and the successful candidate will have strong communication and presentation skills as well as an excellent academic background and appropriate practical experience. The successful candidate will possess a higher degree in a scientific, economic or mathematical subject, and have direct work experience in an investment bank or as an investment manager.

An attractive package and excellent career opportunities are offered to attract the very best candidates.

Confidential enquiries enclosing a detailed curriculum vitae should be addressed and sent as soon as possible to our consultants GMBM, 27 Floral Street, London WC2E 9DP

Please indicate on a seperate piece of paper those companies who you do not wish to receive your details.

Senior Sales Executive
Fluent Japanese

Leading City firm requires a Senior Sales Executive with a proven track record to sell complex integrated dealing room systems to leading Japanese financial institutions in the City of London and major European financial centres. As the successful applicant will be solely responsible for handling our Japanese customers the position requires fluent Japanese and excellent knowledge of Japanese business protocol, experience of working in Japan would be ideal. The successful applicant must be able to demonstrate a first class sales record of 10+ years with major clients in the European banking arena and a comprehensive knowledge of all financial markets, particularly Equities, Warrants and Derivatives. Management experience would also be of value.

Reply in confidence to Box No: A5048,
Financial Times Appointments,
1 Southwark Bridge, London SE1 9HL

International Investment Bank
JGB Bond Strategist
Tokyo - Based

As a recognised leader in the fixed income and equity markets, we are a leading International Investment Bank providing a comprehensive range of products and services in the primary and secondary bond and equity markets, currency and interest rate swaps and options, fixed income and equity derivative products and specialised instruments.

In our position as a major non-Japanese JGB Primary Dealer an outstanding opportunity has arisen to become the Tokyo-based Strategist for Yen-based fixed income markets.

We have been extremely successful in the Japanese bond markets and we are now expanding operations with increasing focus on bond strategy. The job will be suitable for candidates who wish to work in a market-orientated environment where marketing and communication skills are as important as analytical abilities.

The strategist will work with the Tokyo JGB team as well as our Global Bond Strategy Group and internationalisation of Yen bond products will be a major objective.

Candidates should be bilingual in Japanese and English, both orally and in written work. We are looking for a pro-active team player with an economics, strategy or quantitative background.

An attractive package and excellent career opportunities are offered to attract the very best candidates.

Confidential enquiries enclosing a detailed curriculum vitae should be addressed and sent as soon as possible to our consultants GMBM, 27 Floral Street, London WC2E 9DP

Please indicate on a separate piece of paper those companies who you do not wish to receive your details.

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EQUITY SALES TRAINEES

Fox-Pitt, Kelton is an international investment banking and broking house specialising in the banking, insurance and health care sectors.

We are seeking two trainees to join our Equity Sales team in London.

The successful candidates will have the following attributes:-

- strong academic record
- fluency in one or more European languages

Please write in confidence with full CV to Sue Ash, Fox-Pitt, Kelton Ltd. 35 Wilson Street, London EC2M 2SJ

Fox-Pitt, Kelton is a member of The Securities and Futures Authority

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Director Business Development

Our client is a well known Swiss based multinational, with sales exceeding 1 billion US$. We are entrusted with identifying a proven Business Development Director for one of their divisions. Reporting directly to the CEO his/her main tasks will include a broad spectrum of projects aiming at developing and refining business strategies for established and newly created subsidiaries in Western and Eastern Europe. We are therefore seeking to place a top professional with University/MBA or equivalent qualifications and a minimum of five years of relevant experience in i.e. market analysis, strategic planning or finance/consulting.

The ideal candidate has a background in industry (high tech, telecom, computers) or branded consumer goods.

Also of interest is an experience in investment banking (M&A) resp. consulting, with a renowned firm. We are looking for an entrepreneurial and competitive individual in his/her thirties, who combines analytical and operational skills, leadership qualities and a good sense and understanding of multinational business. English and the knowledge of at least another European language are required, as is willingness to travel.

If you are interested in this outstanding career opportunity, please fax or send your CV, in confidence, to

Personnel & Management Consultants Inc., P.O. Box 315, CH-8030 Zurich.
Tel. +41-1-383 47 33,
Fax +41-1-383 70 68

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An exceptional individual is required to join the headquarters Corporate Planning and Marketing department of a large publicly quoted financial services organisation covering several different service industry operating companies.

The successful candidate will be 30-35 years of age, will have had experience in corporate planning and will hold a MBA degree from a major business school. Experience of retail financial services is essential and knowledge of the insurance industry would be desirable.

Applicants should have good analytical and interpersonal skills and should be able to communicate clearly both orally and in writing. This role carries a competitive remuneration package.

Please reply in confidence attaching a full CV and details of your present remuneration package to:

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Equity derivatives Sales
Paris

We are enlarging our sales force in order to foster the expansion of the Dresdner Bank equity derivatives business line.

With a focus on market products, you will be backing our sales teams working for our clientele of investors, by promoting the financial products designed by the specialists of the Dresdner Bank Group.

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You are currently seeking to use your sales talents and skills in a job where you can capitalize on your financial and economic knowhow.

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MEDIAPA

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For further details please contact Jeremy Delmar-Morgan on 0·71-256 6131 or write to him at Teather & Greenwood, Salisbury House, London Wall, London EC2M 5TH.

EQUITIES RESEARCH MANAGER - BANGKOK

A leading agency broker requires an experienced analyst to head the equities research department. Candidates should be qualified CFAs and have at least five years analysis experience. Preference will be given to applicants with previous managerial experience and a knowledge of the Thai stockmarket.

Write to Box A5046, Financial Times, One Southwark Bridge, London SE1 9HL

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River & Mercantile Investment Management Ltd. is expanding, and is seeking to employ individuals, with relevant experience in the retail investment market, in Technical Services, Marketing and Sales.

Particularly important will be first hand knowledge of dealing with the Independent Financial Advisor market, and other third party introducers.

If you feel you have the appropriate experience, please write and send your C.V., in confidence, to Chris Munro at

River & Mercantile Investment Management Ltd.,
7 Lincoln's Inn Fields,
London WC2A 3BP
Please do not telephone.

SENIOR INVESTMENT ANALYST
EMERGING MARKETS/PACIFIC BASIN

PosTel Investment Management Limited is the investment manager for the British Telecom and Post Office Staff Superannuation Schemes with assets under management of £26 billion.

We are seeking to appoint a Senior Investment Analyst to assist in the management of our Emerging Markets portfolio of £500 million. The job holder will also assist in the management of the Pacific Basin portfolio of £220 million.

Reporting to the Head of Overseas Equities the successful candidate will be responsible for the analysis of equities in Global Emerging Markets and the Pacific Basin.

Applicants should have 2/3 years analytical experience of Latin America and/or Pacific Basin equity investment. They should be highly computer literate and have good written and oral communication skills. An economics or numerate degree is essential.

A competitive salary is offered plus mortgage subsidy, five weeks holiday, contributory pension scheme, interest free season ticket loan, subsidised staff restaurant and bonus scheme after qualifying period.

POSTEL

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This senior and influential role will include the following key tasks:

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- Production of monthly management accounts and financial and regulatory returns.
- Systems Development to support dealing operations and ad hoc consultancy.
- Management and motivation of a team of 20 professionals.

The role will appeal to a graduate Chartered Accountant with a good Mathematics or Science degree working within a large Treasury or Capital Markets operation. In-depth knowledge of financial products with a bias towards cash-based derivatives expected. The ability to develop close working relationships with senior personnel from the Trading floor and other business areas is crucial to the role.

The remuneration package on offer reflects the seniority of this challenging and rewarding position.

In the first instance please contact John Howells or write enclosing a comprehensive CV including current remuneration package.

HCA
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FINANCIAL • SEARCH • SELECTION

HEAD OF TAX

BLUE CHIP BANK

City £150,000 - £200,000 Package

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Reporting directly to a main board director, a leading tax specialist is sought to head the Group's taxation department with responsibility for tax and fiscal control over the whole of the Group.

Responsibilities will include:-

- formulating and developing the Group's taxation policy;
- exploiting tax planning opportunities both within Corporation and Value Added Taxes;
- overseeing compliance in all aspects of Group Tax;
- ensuring the most tax effective advice is given on major transactions;
- advising key business units on the most tax efficient methods of structuring and doing business.

Already a partner in a major City law or accounting practice, ideally aged between 37-50 with a background in banking/international taxation, the successful candidate – lawyer or accountant – will have a corporate tax specialism with some expertise of VAT issues. Of crucial importance is a highly developed commercial awareness, a proactive and creative approach to tax issues and the ability to contribute at a strategic level.

With opportunities for further career advancement within senior management, the comprehensive package will fully reflect the quality and stature of the Group and include a performance bonus, share option scheme, non-contributory pension, loans and executive car.

For further information in complete confidence, please contact Gareth Quarry or June Mesrié on 0171-405 6062 (0181-340 7078 evenings/weekends) or write to them at Quarry Dougall Commerce & Industry Recruitment, 37-41 Bedford Row, London WC1R 4JH. Confidential fax: 0171-831 6394. Initial discussions can be held on a no names basis.

QD QUARRY DOUGALL

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Our client is part of a large American multinational group and has 70 subsidiaries worldwide. They are the worldleaders in marketing information services. The International Coordination centre, based in Waterloo (Belgium), is expanding and there is a unique opportunity to join their dynamic International Finance team.

FINANCIAL ANALYSTS

The candidates will be responsible for:

- The accountancy and consolidation of all the International subsidiaries;
- Financial Reporting to senior Management and to the US parent company.

Key to success in the position will be the person's ability

- To interface efficiently with subsidiaires;
- To ensure tight financial control through application of policies & procedures and knowledge of the business;
- To develop an understanding of Tax & Treasury issues in a complex environment in order to support corporate information requirements.

The ideal candidates should have the following profile:

- A University degree in Finance and/or Accounting;
- 3 to 5 years experience with a major audit firm or a large multinational;
- Strong analytical and communication skills;
- Fluency in English and other European languages;
- Knowledge of US Gaap would be an asset;
- Familiarity with Microsoft software products and Hyperion/Microcontrol would be an asset.

For the right candidates, our client can offer outstanding career opportunities and an interesting salary package.

Interested candidates should send their application in English with Curriculum Vitae to Jelleke Tollenaar at Nicholson International Search & Selection Consultants, Avenue Louise 363 box 24, B-1050 Brussels, Belgium quoting reference BCL 065 FT. Alternatively they can fax their details on 32/2/647.70.30 or contact Laurence Vanhoolandt on 32/2/647.70.00 for more information.

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Direttore Finanziario

Roma

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Il salario offerto ed i benefici addizionali sono commisurati al livello della posizione. Si prega inviare curriculum vitae a James Shipside, Personnel Manager, Hertz Europe Limited, 700 Bath Road, Cranford, Middlesex TW5 9SW.

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Hertz

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Filiale écossaise d'un groupe constitué en RÉSEAU, notre activité s'étend principalement sur la GRANDE-BRETAGNE.
(C.A. : 5 millions £. Effectif : 50. Sites d'exploitation à Glasgow et à Aberdeen).
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You will have day to day responsibility for a diverse portfolio, covering both institutional and private clients from major financial centres. You will manage the settlements, income processing, corporate actions and client administration areas with the responsibility for 30 staff. Additionally, you will assist in the provision of an effective, professional service to clients. This demanding role will suit a proactive individual with at least ten years experience of Global Custody. A professional accounting qualification is desired but not essential.

CLIENT RELATIONSHIP MANAGER

Based within the Corporate Trust Department, this role embraces the management of client relationships. Close liaison both internally and externally is required in order to understand client requirements and to ensure the Bank provides its clients with the standard of service they require. You will also be involved in developing new business on behalf of the Bank and cross selling its current range of products. This crucial role will suit a proactive, commercially orientated individual with excellent presentation skills, a meticulous approach and with a commitment to client service. Five years experience of fund administration is a prerequisite for this position.

These roles represent challenging opportunities and prospects globally remain excellent. To discuss these, please contact Jonathan Astbury or Tony Marshall on 071-629 4463 (evenings and weekends 071-702 9672) or write quoting Ref. JA 7120 to Harrison Willis, Cardinal House, 39/40 Albemarle Street, London W1X 4ND. Preliminary interviews will be conducted in Luxembourg and London.

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Please send full personal and career details including current remuneration level and daytime telephone number, in strict confidence to Angela McDermottroe, Coopers & Lybrand Executive Resourcing Ltd, Albion Court, 5 Albion Place, Leeds LS1 6JP, quoting reference 298AM.

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- Work closely with divisional Boards to implement an effective performance appraisal process, incorporating benchmarking, to identify both control issues and commercial opportunities.
- Support the Board in maintaining and enhancing the Group's profile in the City. Assume Company Secretarial responsibilities and manage and review financial intermediary relationships.

THE QUALIFICATIONS

- Articulate and ambitious graduate accountant, likely to be aged over 30, with excellent financial management and control skills gained in a diversified, service business. Media experience advantageous.
- First-class communicator with well-developed powers of persuasion and sensitivity. Willing to challenge orthodoxy and committed to maintaining best practice across the function.
- Proven analyst with an eye for detail and the poise and gravitas to be effective at Board level. Capable of progressing further.

Leeds 0532 307774
London 071 493 1238
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FINANCIAL SERVICES CAREERS SEMINAR

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Representatives from eight leading investment banks will be available to advise on careers within banking and to discuss specific current opportunities within their organisations.

*To reserve a place and to receive an invitation and information pack, please contact **Jonathan Astbury, Adrian Thompson** or **Aidan Smyth** on **0171 629 4463**. Evenings & weekends ring **0171 702 9672** or **0181 968 6706**.*

ACA RESULTS HOTLINE
0171 629 4463
9pm-12pm
on Friday 17th Feb 1995

HARRISON WILLIS

Chief Financial Officer

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The Company

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The Position

- As the company's number 2 executive, assist the General Manager in day-to-day management
- Manage both long and short term treasury activities
- Supervise all accounting, financial control and financial reporting to headquarters
- Responsible for billing and collecting
- Liaise with external professional services and governmental entities

Qualifications

- Experience in a similar role in a fast-moving commercial environment
- Proven track record in leading teams
- Age 28 - 35. Professionally qualified Accountant. Experience in Africa is a plus
- Good leadership and communication skills. Dynamic, hands-on and entrepreneurial personality

If you wish to apply for this position, please send your CV in strict confidence to: Mrs Viveca Von Blodel, Millicom International Cellular S.A., 75 Route de Longwy, L-8080 Bertrange, Luxembourg. Fax: +352-45 73 52

MIC
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Finance Director

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Our client is a consumer orientated, marketing driven, £150 million turnover subsidiary of a well-known UK plc. Operating in highly competitive European markets, they are currently assembling a new management team to implement a major process change programme.

The Finance Director will be a key figure in the company's success, providing strategic financial and general management input to the commercial decision making process. The position will be responsible to the Managing Director for the financial management and information technology requirements of the organisation. Immediate priorities will include the implementation and enhancement of fully integrated pan-European control and reporting systems for this fast moving business.

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Applicants should forward a comprehensive curriculum vitae, quoting ref 219629 to **Mark Hurley ACMA, Executive Division,** Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.

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James Cropper PLC are a long established and highly successful independent company with a turnover of c £50m. They are engaged in the manufacture of paper and paper related products for the UK and overseas markets. Their success can be attributed to a commitment to TQM and the achievement of excellence in all areas along with positive and forward thinking management.

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Candidates will be qualified accountants who can demonstrate at least 5 years achievement at a senior level within a manufacturing environment. In addition you will need to display strong organisational and leadership abilities coupled with high degrees of maturity and presence and the intellectual ability to grasp and analyse technical issues and contribute to business decision making.

Interested applicants should apply in writing, quoting reference 209663, enclosing a full curriculum vitae to Stephen Banks at Michael Page Finance.
Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

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Please reply in confidence quoting reference 2451 to Management Appointments Limited,
Finland House, 56 Haymarket,
London SW1Y4RN. Tel: 0171 930 6314.
Fax: 0171 930 9539.

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- Analysis and presentation of monthly results and cashflows.
- All aspects of budgeting and forecasting.
- Evaluation of commercial factors driving the business.
- Support for operations managers, to include ad-hoc projects.
- Capital investment appraisal.

In order to meet the demands of this role, candidates must be fully qualified accountants able to demonstrate a strong, commercial track record. A background in the leisure and/or service industry would be a distinct advantage. It is anticipated that suitable candidates will have not less than four years post qualified experience.

In addition, candidates should possess strong communication and interpersonal skills with the self confidence to challenge issues when necessary. This role will envolve extensive liaison with senior management throughout the organisation.

Excellent career opportunities await those individuals eager and able to make a significant contribution to the company's success.

Interested individuals should telephone Julie Thompson on 071 405 4161 (Fax: 430 1140). Alternatively write to her at FMS, Recruitment Consultants, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY, enclosing a recent Curriculum Vitae and details of salary/package.

A MEMBER OF THE PSD GROUP

MANAGEMENT

POEMS on the Management Page

The Business Consultant

By Bertie Ramsbottom

Of all the businesses, by far,
Consultancy's the most bizarre!
For, to the penetrating eye,
There's no apparent reason why
This group of personable men –
With no more assets than a pen –
Can sell to clients more than twice
The same ridiculous advice;
Or find, in such a rich profusion,
Problems to fit their own solution!

The strategy that they pursue –
To give advice instead of do –
Keeps their fingers on the pulses
Without recourse to stomach ulcers;
And brings them monetary gain,
Without a modicum of pain.

The wretched object of their quest,
Reduced to cardiac arrest,
Is left alone to implement
The asinine report they've sent.
Meanwhile the analysts have gone
Back to client number one,
Who desperately needs more aid
To tidy up the mess they made.
And on and on – ad infinitum –
The masochistic clients invite 'em,
Until the Merciful Reliever
Invokes the Corporate Receiver.

No one really seems to know
The rate at which consultants grow;
By some amoeba-like division?
Or chemo-biologic fission?
They clone themselves without an end
Along their exponential trend.

The paradox is each adviser,
Should he make some client wiser,
Might inadvertently destroy
The basis of his future joy;
So, does anybody know
Where latter day consultants go?

From The Poetry of Business Life, edited by Ralph Windle, former multinational executive and a founder fellow of Templeton College Oxford (and author of Bertie Ramsbottom verse satires). Price £12.95. Co-published by Probus Europe/Berrett-Koehler.

Anxious times

US employees are increasingly uneasy about their future, finds Robert Taylor

The mood of the US workplace is restless and frustrated.

In the more flexible US labour market everybody – from senior management to unskilled blue-collar workers – feels under threat, despite the economic recovery. President Bill Clinton's labour secretary Robert Reich talks about the rise of "the anxious class, most of whom hold jobs but who are justifiably uneasy about their own standing and fearful for their children's future".

Up to now the extent of workplace discontent in the US has been largely anecdotal. But a survey of worker representation and participation in the US*, carried out for Clinton's special commission into labour-employer relations by two academics – Richard Freedom and Joel Rogers – provides substantial proof that workplace dissatisfaction is not confined to an insignificant number of workers.

The report, which also identifies a demand among workers for a more constructive and participative relationship with management, is the most comprehensive carried out of the American workplace based on a national telephone sample of 2,408 workers in private companies employing 25 or more workers.

Lack of trust was one of the most powerful themes. As many as 62 per cent of workers interviewed said they did not feel they could trust their management to keep its promises. The most distrustful were black workers, blue-collar workers and those employed in manufacturing, transport and communications.

Corporate restructuring appears to be damaging relations between management and their more senior employees. The most positive ratings came from inexperienced workers with less than a year's service. The survey found worker satisfaction ratings declined with length of service; workers aged 35 to 54 had the most negative attitudes towards management.

Nor is there much enthusiasm about work. A quarter of those questioned said they wished they did not have to go to work (30 per cent of blue-collars and 32 per cent of those in manufacturing) while a further 9 per cent had mixed feelings.

A mere 18 per cent of workers said employee-management relations in their company were excellent, 32 per cent said they were only fair or poor.

Despite such results, 54 per cent of workers questioned said they were committed to their current employer and three fifths of them regarded their present job as either long-term or a stepping stone to something better with the same company. Only 38 per cent were confident enough to believe they could quickly find new employment with similar pay and benefits if they lost their current job.

The survey also found over half the workers interviewed had no group representation or collective voice in the workplace. Only 11 per cent of private-sector workers are in trade unions. But 63 per cent of workers said they would like to have more influence in the making of workplace decisions with as many as 72 per cent of manufacturing workers wanting more influence.

In particular the majority favoured a greater say in the level of their benefits, their pay and job training. Employee involvement programmes had been experienced by 31 per cent of workers but these have enjoyed limited success. The findings do not mean American workers are in a militant mood of confrontation with management. On the contrary, the survey discovered most workers reject conflict in favour of consensus and want to work with management.

There is apparently no large upsurge of shopfloor enthusiasm to channel discontent through belonging to a trade union. Support for a union exceeded anti-union sentiment only among blue-collar workers (48 per cent of them said yes to a union and 38 per cent no) and in transport and communications (49 per cent said yes to a union and 38 per cent no).

In manufacturing industry 47 per cent said they would not vote to join a union. Even if often virulent management opposition to unionisation was minimised, majority backing for unions was only found among the blue-collar workers.

Only a third of all workers below management level not now represented by a union said they would vote for one if given the opportunity, although the survey conceded that "if management opposition were not a factor, unions might be competitive in all major sectors except the financial industry". This did not mean most workers accepted unilateral management. They said they wanted laws to protect them being dismissed at will by their employers, replaced by part-time workers or having their jobs eliminated through layoffs or plant closings.

The survey found most American workers favour a "new type of employee organisation to give them more say in workplace decisions". This would not be an autonomous trade union but a joint employee-management committee. As the survey explains: "Workers want some degree of independence from management but clearly do not want an adversarial relationship". They favour electing their own representatives with access to independent arbitration to help resolve conflicts with management. But they also want the proposed organisation to be funded and staffed by the company with management having a *joint* responsibility in running it.

"Workers' preferences for an ideal employee organisation are strongly influenced by their beliefs that management co-operation is essential for any group to be successful in achieving more say for workers in company decisions", it argues. The main findings of the labour-management commission have already been rejected by the Republican-dominated House of Representatives, employer and trade union organisations. But the survey does provide some guidance of what could be done to lessen workplace discontents without jeopardising corporate change.

**Princeton Survey Research Associates, 911 Commons Way, Princeton, New Jersey.*

Overall, how would you rate the relations between employees and management at your company/organisation?

By occupation	EXCELLENT	GOOD	ONLY FAIR/POOR
Professional/managerial	20%	50%	29%
Clerical/sales	22%	54%	24%
Blue collar	15%	46%	39%

By sector	EXCELLENT	GOOD	ONLY FAIR/POOR
Manufacturing	14%	45%	40%
Transportation/Communication	18%	45%	36%
Wholesale/retail	24%	53%	23%
Finance/insurance/property	15%	53%	32%
Health services	15%	52%	32%
Other services	18%	51%	31%

Source: Princeton Survey Research Associates

More for your audit money

Jim Kelly on KPMG's attempt to instil a 'hands on' approach

Very few managers admit to a lack of originality. Colin Sharman, senior partner at the firm of accountants which from today becomes known by the initials KPMG, is almost cheerful about it: "I will never claim that there is a huge amount of originality in what I am doing."

What Sharman is doing is changing the organisation he leads. Today it drops Peat Marwick from its name and adds a new management strategy which it hopes will distinguish it from its big six competitors.

At the heart of the idea is the concept of the "lead partner" – again nothing new. But what may turn out to be different is Sharman's ability to put a rather tired concept into action.

He has already proved that he is prepared to take risks. KPMG is likely, later this year, to become the first big UK firm to incorporate its core audit business. Having broken free from the pack on incorporation, Sharman hopes to invigorate the firm with another initiative.

In short, lead partners manage the relationship between clients and the firm. They spend time with the client – lots of time. They get to understand the business and make a commercial contribution. They add to the bottom line. They have broad skills.

Sharman wants lead partners to take responsibility. He wants wider decision making – and not all by partners. He wants partners to be less averse to risk, less desperate to cling to the rules, more inclined to tell clients about dangers.

More than 90 per cent of KPMG clients say they would have the audit service even if it was not statutory. But they also tell the firm: "You spend a heck of a long time on our audits – we must be able to get more out of it than just a straight audit report." Sharman says: "Our aim should be to tell clients something they don't know about their business."

Sharman believes that the profession reacted wrongly to the litigation crisis which followed the corporate collapses of the late 1980s and early 1990s. Layers of quality control and rulebooks replaced initiative and responsibility.

"This way is much more 'hands on' for the partners – they don't sit in their offices anymore and stuff is brought to them. They are out in the field more."

And how did the partners react? Sharman grins: "With unqualified acclaim." He admits that a minority thought: "This bloke's changing the rules again – this is not the profession I joined. Why can't the client come to the office to see me? Why should I have to go out and spend time with people I don't like?"

The majority were either lead partners by intuition already or wanted to learn the skills to become one. But the "Sharman circle of virtuous change" is not based on a belief that all managers have to do is invent the word "empowerment" to change their organisation's culture.

He has changed the way people's performance is measured and introduced rewards for those who measure up to the lead partner "competencies" – like commerciality, leadership, reliance and innovation.

"If you were there long enough in the 80s – it was almost promotion by rote – you really had to be very bad not to make it." Now KPMG has just four grades: partner, manager, field staff and trainee. Assessment is sophisticated and independent. Renumeration will reflect the ability to match up to the lead partner virtues.

Sharman has more time than most senior partners to think about change. He claims to spend less than an hour a week encumbered by litigation, a curse which has significantly affected some of his competitors. The coming years will indicate whether he has spent his time wisely.

CONTRACTS & TENDERS

Government of the Republic of Albania
Tax Administration Modernisation Project
INDIVIDUAL PROCUREMENT NOTICE
INVITATION FOR BIDS TAX/MOF/ICB/1
Credit No: 2646 ALB
Contract Name: 4 Wheel Drive VEHICLES

With reference to the General Procurement Notice published on 30 November 1994.

1. The Government of the Republic of Albania has received a credit from the World Bank in various currencies under the Tax Administration Modernisation Project and it is intended that part of the proceeds of this loan will be applied to the payments under the contract for 4 WD VEHICLES for the Ministry of Finance, Tirana. Bidding will be conducted through International Competitive Bidding procedures under the Guidelines for Procurement of the World Bank and is open to all bidders from eligible source countries as defined in the said Guidelines.
2. The Project Implementation Unit, Ministry of Finance now invites sealed bids from eligible bidders for supplying:
   4 WD Vehicles 30 No.
3. Interested eligible bidders may obtain further information from:
   Director
   Project Implementation Unit, (PIU)
   Ministry of Finance
   Bulevardi "Deshmoret e Kombit"
   Tirana,
   Albania.
   TEL: 355 42 27938 FAX: 355 42 27941
4. A complete set of bid documents in English may be purchased by any eligible bidder on the submission of a written application to the above and upon payment of a non refundable fee of US$ 200. The documents will be sent by DHL courier or handed to a representative of the eligible bidder. Payments are to be made to A/C 4561/107/01, National Commercial Bank, Sheshi Skenderbeg, Tirana, Albania.

TENDER DOCUMENTS WILL BE AVAILABLE FROM THE PIU OFFICE IN TIRANA FROM 3 February 1995.

5. All bids must be accompanied by a Bid Security, details of which are to be found in the Bidding Documents.
6. Bids will be opened in the presence of those bidders representatives who choose to attend at *1200 Noon 21 March 1995 at the office indicated in para 3.*

APPOINTMENTS

BUSINESSES FOR SALE

LEGAL NOTICES

Jaolad Schoemers Limited
Joint Administrative Receivers
appointed 15 December 1994

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL on 14 February 1995 at 10.00am for the purpose of receiving a report prepared by the Joint Administrative Receivers and if thought fit to establish a committee ("the creditors' committee") to exercise the functions conferred on it by or under the Insolvency Act 1986. Proxies to be used at the meeting must be lodged, together with any claim to be made by the creditor at the offices of the Joint Administrative Receivers at the above address no later than 12 noon on 13 February 1995.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

SIGNED: N J Vought
for the Joint Administrative Receivers
DATE: 30 January 1995

صكرا من الاهل

Combat fatigue

Joan Acocella reviews Twyla Tharp in New York

Twyla Tharp's recent programme, *Red, White & Blues*, at New York's Brooklyn Academy of Music looked like the end of a long war. In the 1970s, Tharp became famous for jazz-rock dances such as *Baker's Dozen* and *Sue's Leg* in which the dancers seemed to do their own thing and yet to form a unity, a lovely, loose democracy.

Then, in the 1980s, as Tharp took her plunge into classical ballet, the synthesis fell apart, and her stage was filled with combat: men versus women, order versus disorder, jazz dance versus ballet, Twyla Tharp versus everybody else, or herself, or in any case something big. This war inspired good dances as well as bad, but eventually it became tiresome, and it lent a note of aggression, even nastiness, to her work. Now it seems to be over.

Indeed, the subject of Tharp's BAM programme was concord. Between dances, she gave little lecture-demonstrations, showing us how dances are made, and all her emphasis was on unity: how different phrases are created out of agreed upon steps, how different dances are variations on established phrases. These little talks were probably helpful to the audience. (There are still people who think stage dancing is improvised.) More than that, they knit the show together. When, ten minutes after Tharp had explained to us a certain principle, we witnessed that principle in operation in the dancing; rules and freedom, thought and art, seemed to wave at one another, and the whole show gelled into a single action.

This interplay of freedom and control is of course not just an artistic issue. In most democracies it is a political issue as well, and in the US a very sensitive one. We fought a civil war over that matter, and today, with multiculturalism, we are fighting over it again.

Such facts are on Tharp's mind. As noted, her programme was entitled *Red, White & Blues*, and she created it last summer in Washington, D.C., surrounded by civil war battlefields. (She visited them.) The last dance on the programme was set to a song that, more than any other, recalls that war: "The Battle Hymn of the Republic," its lyric was written by the poet Julia Ward Howe as she watched Union soldiers march off to battle in 1861.

Tharp introduced this piece by saying that it is dedicated to the American principle of E pluribus unum, the capacity, as she put it, "for honoring the individual within the overriding arc." The dance, and the evening, ended with all the dancers, in a line, doing slightly different bows which nevertheless looked just fine together. So in Tharp's mind, in her concert, and (she hopes) in our society, the civil war is over.

There is now a relaxed marriage of what were once the main combatants on Tharp's stage, jazz dance and ballet

But the proof of concord was the dances that came before. They were set to a tellingly pluralistic collection of music: Duke Ellington, The Five Satins, Burundi drummers, Gluck, Bartók – in other words, American music and its tributaries. Some of the dances were ambitious, some slight. But all of them showed a relaxed marriage of what were once the two main combatants on Tharp's stage, jazz dance and ballet.

In the piece to Gluck's *Don Juan*, which had four Don Juans trying to seduce two women, the men were given virtuosic solos full of cheerful vulgarities in the jazz vein. These Don Juans leered, they swaggered, they did everything but wag their tongues. But all this was woven into rococo-style ballet steps, full of delicate footwork. The low comedy was thus framed in beauty, which gave it an edge of pathos. What a piece of work is man, that he could do those snake hips and also that *entrechat six*.

In the Bartók piece (all the dances are untitled), Tharp reverted to juxtaposing ballet and jazz. To excerpts from Forty-Four Duets for Two Violins, she pitted a lone ballet dancer in point shoes against a rowdy group of jazz dancers, just as she did 20 years ago in her first ballet, *Deuce Coupe*. But in *Deuce Coupe* that was the story: ballet versus jazz. Here the story is different, and never wholly clear. The ballet dancer, Stacy Caddell, circles the other dancers and scowls at them while they fool around, smoke, quarrel, and occasionally organise themselves into disorderly folk dances. Perhaps this is a tale about a choreographer and her dancers. In any case, it has a dark, almost bitter quality, and the finicky, difficult ballet steps that Caddell performs seem an image of beauty and of irritation at the same time.

Tharp no longer has a permanent troupe. The seven dancers in this programme were a pick-up company, all of them refugees from major ballet troupes. They danced wonderfully and, as usual in Tharp's recent shows, the men danced more wonderfully. One man, Shawn Mahoney, looked like a new avatar of the young Twyla Tharp – the same musical genius, the same rubbery cool. (If he has a few brothers, we could restage *West Side Story*.) Meanwhile, Tharp, now 53, performed alongside the company, with obvious difficulty. But the show was as casual-looking (no sets or costumes) as it was artistic, and so, in the end, everything in it seemed to belong.

John Selya and Stacy Caddell dance to Bartók as part of 'Red White & Blues'

Obituary

Donald Pleasence

The death of Donald Pleasence at 75 robs international cinema of one of its distinctive actors. But long before a mass audience came to know that quietly sinister or grotesquely comic – or, more rarely, authoritatively erudite – personality, he had taken his place in theatre history as the tramp in Harold Pinter's *The Caretaker*.

Pleasence played Davies in London in 1960, repeating his success in New York and on screen. It remains a superb assumption: the derelict you can almost smell, taken in to look after a crumbling house by two mysterious brothers, one of whom may be mentally ill. The play is quintessential Pinter in its undefined menace, and the title-role was quintessential Pleasence.

Pleasence was one of nature's character actors: small, ferrety, quietly-spoken, he excelled as both predator and victim – sometimes combined in one character, as in his Dr Crippen. I first saw him on the London stage in the early 1960s in Jean Anouilh's *Poor Bitos*: for me he summed up much of the magic of theatre and the craft of acting. It was a wonderful Pleasence part, the pushy little *arriviste* mocked by the aristocrats, pitiable yet unlikable. I thought he could play anything; and waited for his Richard III, Lear's Fool, an ageless, disturbing Puck... None of them materialised.

Instead Pleasence, who had no training but much experience in small arts theatres and provincial rep, became one of the great all-rounders. On stage he won awards for his performance in the Adolf Eichmann play, *The Man in the Glass Booth*, and was as admired in America as Britain. He occasionally returned to Pinter – he played the Caretaker again at the Arts Theatre in 1990.

Meanwhile he became one of those film performers whose faces everyone knows long before the mass public can put a name to them. There was a certain irony in Pleasence's appearances in such war films as *The Great Escape*: a flight-lieutenant in the RAF, he had been shot down and taken prisoner in 1944. Apart from commercial blockbusters – his Bloefeld joined the distinguished gallery of James Bond villains in *You Only Live Twice* – he could provide a persona so unexpected as to verge on the bizarre, as in Roman Polanski's cult *Cul-de-sac* or even a western like *The Hallelujah Trail*.

Though working in America and living mainly in France, he gave some memorable television performances, notably in the BBC's *Barchester Towers*. He was awarded an OBE in 1993. Most recently he has been seen in *Signs and Wonders*, in benign professorial mode; though at the time of his death, from heart trouble, he was putting the final touches to *Hallowe'en 5*, the latest of the schlock chillers he professionally adorned. The loss is aggravated by the knowledge that he planned to play King Lear with the three daughters – Angela, Holly and Miranda – who have followed their father into the theatre to which he brought such craftsmanship.

Martin Hoyle

Theatre

Mama, I Want To Sing

Most black soul divas, from Aretha Franklin to Grace Jones and incorporating Whitney Houston, first tried out their tonsils in the gospel choir of their local church. So there was some sense in Vy Higginsen devising a musical about the career of a pop star who exchanged Jesus for gold discs.

The fact that her sister, Doris Troy, best known for the 1963 hit "Just one look", took this route made Higginsen's task even easier, and to keep things cosy Doris actually stars (playing her mother) in this cult musical, which from a small theatre in Harlem has conquered the world, especially Japan.

Whether it will set London singing is more doubtful since such boring essentials as plot, sharp dialogue, imaginative direction and charisma are almost totally absent. Doris Winter, the heroine, is a truly wonderful human being. In every other pop musical the star endures corrupt managers, broken marriages, and drug addiction for the sake of their music: the biggest escapade of Doris's life is coming home at three in the morning and worrying her mother. And we only reach this crisis on the final lap of the show.

Alastair Muir

Chaka Khan as guiding angel Sister Carrie

Of course none of this should matter: surely the gospel music will raise the spirits. Sorry. It mainly consists of the singers competing with each other in a shrieking contest, in which the strident screeches stop little short of retching. Such noisy public emoting quickly becomes very tiring.

An undoubted star, Chaka Khan, has been lured into a theatrical career as Sister Carrie, a guiding angel, and she fills the stage to some effect. She also shows a nice disregard for theatrical convention by interrupting the plot if the mood takes her. Doris Troy, too, has presence, but Stacy Francis as young Doris is condemned to spend most of the plot as a gangling gosling so the transformation to swan is rather sudden.

When the mainly British choir loosens up, the singing will perhaps take off, but this is one feel-good musical that, for all its (perhaps too pointed) optimism, had a deadening effect on the spirits.

A.T.

At the Cambridge Theatre

Sponsorship/**Antony Thorncroft**

Ten years of motivation

The Association for Business Sponsorship of the Arts is looking for a personage grand enough to cut the cake at the celebrations for ten years of the Business Sponsorship Incentive Scheme on February 21. The obvious choice would be Lord Gowrie, chairman of the Arts Council, who in all his years as a government minister rates the creation of the BSIS, (along with the liberalisation of homosexuality in Northern Ireland) as his greatest achievement.

In the past decade BSIS grants have fed £83m into the arts, with the government's pump priming contribution of £27m attracting £56m from (mainly) new sponsors. Even in the current economic climate, when arts sponsorship is static, the BSIS still motivates sponsors, and in recent months ABSA, which runs the scheme, has exhausted its annual grant. It has been forced to cut the requests of some applicants by as much as 40 per cent. With an extra £750,000 from the government for 1995-96, making £5.5m in all, ABSA is relaunching the BSIS this month with a new logo. With luck, there will now be enough money to top up sponsors.

The BSIS has also been extended to cover heritage sites. From April 1, in a pilot scheme in the north of England, companies that give to improvements to stately homes, palaces, cathedrals, gardens, historic sites can also apply for a BSIS grant. Who knows, the Queen might be looking for sponsors to help rebuild Windsor Castle: the corporate hospitality spin-offs could be stupendous.

★

Fewer companies these days sponsor the arts to gain prestige or to demonstrate patronage: hard-headed selling opportunities are the main motivation. This is true of Mazda, the car maker, which has reviewed its marketing and plumped for sponsorship. Millions are going into British athletics but for the first the arts gets a substantial investment, with £250,000 backing for the 1995 Stately Homes Music Festival.

Mazda will use the 16 concerts, in settings such as Blenheim and Beaulieu, to entertain customers and prospective customers. Before the concerts there will be many a test drive around the neighbourhood.

Wisely, Julian Lloyd Webber, the new artistic consultant to the festival, is using the additional money to raise its cultural profile. He plans to introduce contemporary music, and young artistes, to programmes which for 15 years have been built around the likes of Julian Bream and James Galway.

Lloyd Webber has already approached the Arts Council about a grant but the first public funding could come in the form of a BSIS award if the festival, a commercial operation, introduces non-profit making master classes for young musicians in the houses.

The Royal Bank of Scotland is raising its 1995 arts sponsorship budget by around £50,000, to over £200,000, and using the extra resources to head south. It is reaching its customers in England by backing Glyndebourne Opera's autumn tour, and supporting a new production of *Private Lives* at the Royal Exchange, Manchester. The idea is to sponsor one tour and one production a year outside Scotland.

There is no cutback in its Scottish links. The traditional support for the Edinburgh Festival will be concentrated behind the visit of the Kirov Opera. Its most interesting initiative is to back the first tour of Scotland by the European Theatre Company which will present *Cyrano de Bergerac*, in French, with source material for students.

★

One art form which has largely missed out on sponsorship is rock music – some top bands have been loathe to take the sponsors' shilling while some sponsors have been equally reluctant to get into bed with unpredictable bands.

But Carlsberg has bitten the bullet. Last year it invested around £250,000 in sponsoring the main events of the rock year, notably the Reading Festival and the Monsters of Rock concert at Donnington and last month it backed the BRATS, the indie alternative to the BRITS.

Carlsberg discovered that rock is "not a structured" industry and that its target audience of under 25-year-olds reacted against over-branding by sponsors. By acting as a facilitator, and subsidising tours and concerts by promising bands, Carlsberg reckons it has won the confidence of its market, and that the investment has paid off. What had been seen as a rather staid brand has gained a more cutting edge image.

In addition there is a sales pay-off: Carlsberg is building on, and defending, a high penetration at rock venues, and an awful lot of beer can be sold at a three day rock festival. This year Carlsberg will be putting nearer £300,000 into rock.

★

At the Festival Hall on April 7 clarinettist Emma Johnson will be premiering a work written for her by John Dankworth. It is the Woolwich Concerto, so named in recognition of the £5,000 that the Building Society paid for its composition. Also in classical music a new sponsor, Independent Insurance, becomes the main backer of the RPO by putting £100,000 behind 12 concerts in 1995.

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● L'Italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary at 7 pm; Feb 4, 8
● The Marriage of Figaro: by Mozart. Conducted by Stefan Soltesz, produced by Götz Friedrich at 7 pm; Feb 7, 9

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Tippett: Visions of Paradise: opening concert of the 'Visions of Paradise' festival that celebrates the 90th birthday of one of the most eminent living British composers. Sir Colin Davis conducts the London Symphony Orchestra to play Mozart and Tippett's own, 'A Child of Our Time' at 7.30 pm; Feb 5
Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: with violinist Kyung-Wha Chung and conductor Kurt Sanderling plays Beethoven and Bruckner at 7.30 pm; Feb 4, 8

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday at 7.30 pm; Feb 3, 9
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 6.30 pm; Feb 4
Royal Opera House Tel: (0171) 340 4000
● Così Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles at 7 pm; Feb 3, 6, 8
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg at 6.30 pm; Feb 4 (5.30 pm), 7
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright at 7.30 pm; Feb 9

THEATRE
Barbican Tel: (0171) 638 8891
● New England: Richard Nelson's new play at 7.15 pm; Feb 3, 4
National, Cottesloe Tel: (0171) 928 2252
● Dealer's Choice: written and directed by Patrick Marber, six men stay up late to play poker, and win at all costs at 7.30 pm; Feb 9 (7 pm)
National, Lyttelton Tel: (0171) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Feb 3, 4 (2.15 pm) , 9
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Feb 6, 7, 8, 9 (2 pm)

■ MUNICH

GALLERIES
Haus der Kunst
● Deutsche Romantic: previously on show in London, this exhibition has created much discussion in Germany. It examines the work of early German Romantic painters and their cultural and political impact on successive generations of German artists; from Feb 4 to May 1

■ NEW YORK

GALLERIES
Guggenheim Soho Tel: (212) 423 3652
● Antoni Tapies: 55 of the leading Spanish artist's most important works dating from 1946 to 1991; to Apr 23

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zeffirelli, conductor Christian Badea at 8 pm; Feb 4, 7
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton at 8 pm; Feb 6, 9
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Feb 3
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Feb 4, 8

THEATRE
Roundabout Theatre Company Tel: (212) 869 8400
● The School for Husbands/ The Imaginary Cuckold: by Molière. Michael Langham directs this Richard Wilbur translation starring Brian Bedford at 8 pm; to Mar 12 (Not Mon)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Jorge Chaminé: baritone with pianist Maria Françoise Bucquet plays Tchaikovsky, Borodin and Glinka at 8.30 pm; Feb 7
● Maxim Vengerov and Itmar Golan: an evening of violin and piano recitals by Mozart, Beethoven, Prokofiev and Shostakovich with violinist Vengerov and pianist Golan at 8.30 pm; Feb 6

OPERA/BALLET
Opéra Comique Tel: (1) 42 96 12 20
● Lakmé: by Delibes. Conducted by Frédéric Chaslin and produced by Gilbert Blin at 7.30 pm; to Feb 18
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust at 7.30 pm; Feb 9
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban with Maurizio Benini and Roberto Abbado (from April) conducting the Orchestra and Chorus of the Paris National Opera at 7.30 pm; Feb 4, 8

■ ROME

CONCERTS
Teatro Olimpico Tel: (06) 3234890
● Festival Orchestra of Brescia and Bergamo: with pianists Gerhard Oppitz, Bruno Camino and Antonio Ballista. Agostino Orizio conducts Bach at 9 pm; Feb 9

OPERA/BALLET
Teatro Dell' Opera Tel: (06) 481601
● Romeo and Juliet: music by Prokofiev. Ballet choreographed by Ermanno Florio, choreographed by John Cranko at 8.30 pm; Feb 3, 4 (6 pm) , 5 (4.30 pm)

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with violinist Cho-Liang Lin. Paavo Berglund conducts Kokkonen, Tchaikovsky and Brahms at 8.30 pm; Feb 9
● Washington Chamber Symphony: Stephen Simon conducts Tower, Mozart and Mendelssohn at 7.30 pm; Feb 3, 4

OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Feb 6 (7 pm) , 9
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Feb 3, 5 (2 pm) , 8

THEATRE
Arena Stage, Fichandler Theater Tel: (202) 488 3300
● Long Day's Journey into Night: Eugene O'Neill's classic American drama, directed by Douglas Wager at 7 pm; to Feb 5 (Not Mon)
Kennedy Center Tel: (202) 467 4600
● How to Suceed in Business Without Really Trying: directed by Des McAnuff and starring Matthew Broderick as J. Pierrepont Pinch, the little window-washer with big corporate dreams at 8 pm; to Feb 26 (Not Mon)
Studio Theater Tel: (202) 332 3300
● Conversations with My Father: Herb Gardner's autobiographical work, directed by John Going. Sun 2pm and 7pm otherwise at 8 pm; to Feb 5 (Not Mon)

■ ZURICH

GALLERIES
Kunsthaus Zürich
● Degas-The Portraits: a major exhibition of the portraits of Edgar Degas; to Mar 5

OPERA/BALLET
Opernhaus Tel: (01) 262 09 09
● Der Freischütz: By Weber. Conducted by Nikolaus Harnoncourt and produced by Ruth Berghaus. Soloists include Inga Nielsen and Malin Hartelius at 7.30 pm; Feb 3, 9
● The Masked Ball: by Verdi. Conducted by Franz Welser-Möst and produced by Michael Hampe at 7.30 pm; Feb 5 (4 pm)

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Excessive baggage

Michael Skapinker on cutbacks in the air transport industry

A day after the US Federal Reserve raised interest rates to rein in the country's robust growth, 7,000 Boeing workers heard they were to lose their jobs.

The Boeing job losses, announced yesterday, are a bitter blow to a workforce which has already been cut by 26,000 from a total of 143,500 at the end of 1992.

Apart from a natural anxiety about the future, the Boeing employees who are to be made redundant could be forgiven for being puzzled. Not only is the US economy growing strongly; life appears to be improving for the airline industry after a series of disastrous years.

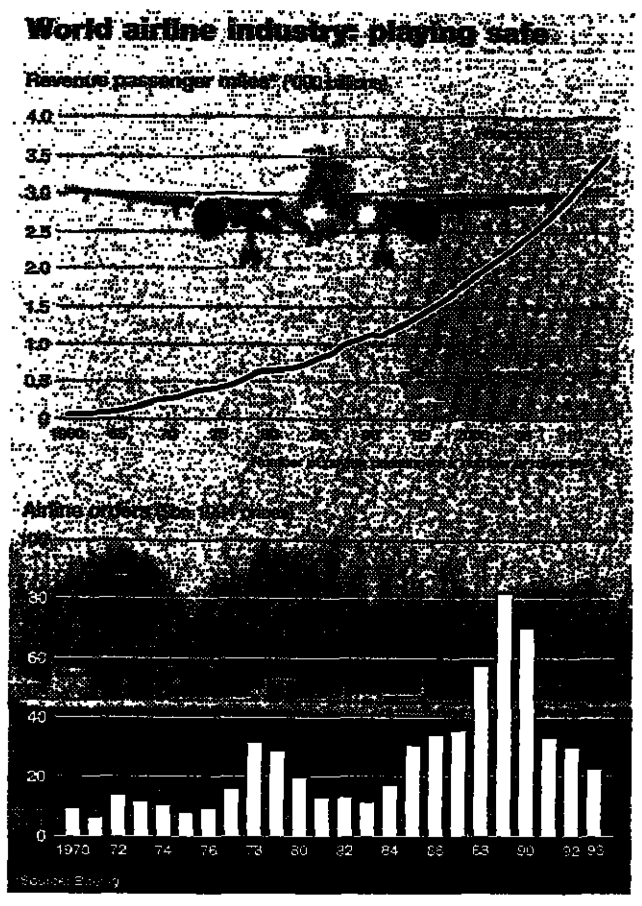
Boeing's own forecasts show airline travel growing by an average of 5.9 per cent a year worldwide for the rest of the decade. Several large US carriers have reported a return to profits. UAL, whose main subsidiary is United Airlines, reported net profits of $51m for last year, after a loss of $50m in 1993. AMR, the parent company of American Airlines, turned a net loss of $110m in 1993 into a net profit of $228m last year.

It is true that the news from other companies has been less cheerful. USAir, the carrier in which British Airways holds a 22 per cent stake, saw net losses increase from $393.1m in 1993 to $648.9m last year. European airlines such as Air France, Iberia and Alitalia are still struggling to ensure their long-term survival.

Some of these airlines have reacted to their difficulties by seeking to delay delivery of new aircraft. Mr Christian Blanc, Air France's chairman, said last month he would cancel a range of aircraft orders and options. The planned cancellations are thought to involve 17 aircraft, 10 from Boeing and seven from Airbus Industrie, the European manufacturing consortium. USAir said it would defer delivery of eight Boeing 757 aircraft due for delivery next year.

More worrying for manufacturers is that some of the more financially successful carriers say they are not planning to order more aircraft either. British Airways, one of the world's most profitable carriers, says that it intends to continue re-equipping its long-haul fleet by buying new aircraft.

And Mr Hans Mirka, American Airlines' senior international vice-president, says his company has cancelled all its aircraft options, although it will continue to take delivery of the aircraft on which it has made firm orders.



Other than the firm orders, Mr Mirka says, "we are not interested at this time in any new aircraft."

Airbus this week trumpeted the news that All Nippon Airways, the Japanese carrier, had placed firm orders for 10 Airbus A321 aircraft, with options on a further eight. It will take delivery of its first 200-seat A321 in 1998. But ANA said it was delaying to the turn of the century the delivery of five A340 long-range aircraft which it had planned to begin receiving next year.

Mr Mirka says there is no mystery as to why aircraft purchases are being delayed just as some airline profits are beginning to improve. Even the healthier US airlines are not as robust financially as they seem.

He says that much of the apparent improvement in performance is the result of a drop in fuel prices. The price of fuel to American Airlines went down by four cents a gallon last year. As each one cent reduction in price results in savings of $30m in annual fuel expenditure, Mr Mirka says American saved $120m.

Many of the pressures facing the US airline industry are still there, particularly competition from low-cost, no-frills carriers such as Southwest Airlines and difficulties in reaching agreement with unions.

While business travel from both the US and the UK has picked up, Mr Mirka says, airlines are still offering discounts on tickets. There are still too many carriers chasing too few passengers, he says. There are no fewer than 45 airlines flying across the Atlantic.

Although American has made its first annual profit in five years, it still has reason to be cautious, Mr Mirka says. He adds: "The same goes for many others. Carriers have been burned and they're extremely reluctant to get burned again."

One industry insider says that the airlines' caution about investing in new aircraft shows a new maturity. In the past, he says, airlines began ordering again as soon as their results began to improve.

He adds the industry has yet to absorb the excess aircraft that accumulated after the Gulf war. "At one point there were 1,000 aircraft parked on the ground or available to lease – that was as late as 1993. Some of those have been coming out of the desert, where they were stored, or have become obsolete. We're still working our way through that."

Stricter noise requirements will require some carriers to invest in new aircraft. But generally new aircraft models offer fewer technological advantages over older ones than used to be the case.

"The improvements are less dramatic than they use to be," the industry source says. "It's like replacing your car today. The new one looks like the one that's three years older."

Mr John Leahy, commercial senior vice-president of Airbus, predicts that the position will improve. He examined aircraft utilisation in hours per day in conjunction with the average length of air journeys.

In 1990, aircraft utilisation increased as average journey lengths went up, as would be expected. In 1991, however, aircraft utilisation decreased dramatically while average trip length remained static – clearly indicating overcapacity.

In 1992, while trip length increased by almost 5 per cent, aircraft utilisation barely moved, pointing to another year of overcapacity. In 1993, on the other hand, average trip length fell while aircraft utilisation increased by 3.7 per cent, indicating that the increase in overcapacity had ended.

Airbus concedes that it will take some time for the industry to regain its momentum. The consortium says: "For manufacturers, there will still be two difficult years. But as the airlines start making profits, the banking community and the financiers will regain their confidence. We have the feeling that the worst is over."

Judy Dempsey on the battle over broadcasting in Germany

Interference on the TV

Chancellor Helmut Kohl of Germany and his political opponents are bracing for a confrontation over the future of ARD, the public service broadcasting body which controls regional television and radio stations across the country.

At stake is the political role of state-owned broadcasters, their financing, and the status of new, private sector television companies.

The issue came to a head this week when Mr Kohl said he supported proposals for the reform of ARD, also known as Channel 1. The plan is to save money by merging channels and reducing the number of ARD's regional networks of TV and radio stations from 11 to about seven.

Mr Kohl's opponents, however, say the reforms are for political rather than financial reasons. The proposals were put forward by Mr Kurt Biedenkopf, prime minister of the eastern state of Saxony and a member of the chancellor's governing Christian Democrats, and Mr Edmund Stoiber, prime minister of Bavaria and a member of the Christian Social Union, the CDU's conservative sister party.

"This is not on," said Mr Michael Glöckner, spokesman for Radio Bremen, which could be merged with a neighbouring regional station. "These conservative politicians are using the financial argument as a specious excuse to extend CDU control over ARD. The whole issue is about political control and influence over ARD."

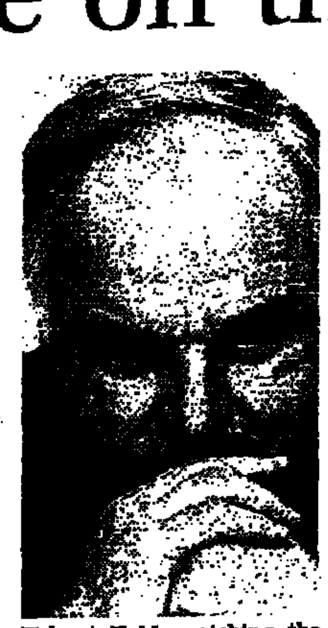
Mr Glöckner is not alone in his views. Mr Friedrich Nowottny, director of the Cologne-based Westdeutscher Rundfunk (WDR), the biggest of the regional networks, says the chancellor is determined to break up ARD to weaken the influence of WDR – which is sympathetic to the opposition Social Democrats (SPD).

"I will tell you what this debate is about. The Nazis had a word for it. It is called *Gleichschaltung*, making all opinions the same," Mr Nowottny said in a recent interview. "We will not allow this to take place."

Mr Kohl and other CDU leaders loathe WDR, which makes a quarter of ARD's programmes and a third of its political documentaries. "Kohl in particular does not like *Monitor* [WDR's monthly political documentary], because it does not toe the CDU line on domestic and foreign policy," a CDU official said.

Yet what is curious about this debate on political influence is that the CDU, and the chancellor in particular, already enjoys considerable support from ZDF, the second federal network. This was set up by Mr Konrad Adenauer, the former chancellor, who wanted a channel to reflect the government's policies. "Isn't one chancellor channel enough?" quipped one SPD politician earlier this week.

State television suffers from political interference and corruption. ARD, set up after the second world war, is controlled by a Broadcasting Council consisting of the main political parties and social groups, and is supposed to be independent. But television journalists and members of the regional television boards find it hard to win promotion if they do not belong to a political party – preferably the one in power in their region. "Whether we like to admit it or not, the regional television stations are pretty corrupt. Freelancers often bribe the staff to get work," a former WDR employee said. "It is time for a shake-up."



Helmut Kohl: watching the broadcasters

Reform is long overdue, and not just for political reasons. WDR, for example, employs more than 4,500 people, while ARD as a whole has a bloated staff of more than 24,000. Yet the German audiences are generally fed a diet of inane chat and quiz shows.

Those campaigning for cost cutting say there is little reason why the northern city of Bremen, for example, with a population of 680,000, should have its own regional channel which cannot be financed by the licence fee alone – Germans pay a monthly DM23.80 (£9.90) to see ARD and ZDF. Bremen's annual running costs are DM168m, but it only receives an annual DM64m from the licence fee and DM10m a year from advertising. It has to receive additional financing of DM75m from other, richer regional channels.

The debate over costs coincides with a heated discussion on how to open the airwaves to private television.

Independent commercial television came late to Germany. The first was Sat-1, a satellite station founded in 1985 and run by the conservative Springer newspaper group and Mr Leo Kirch, a friend of Mr Kohl. Sat-1 and other stations have sapped ZDF and ARD's regional advertising revenues in a country which has the biggest European market – worth DM4.8bn – for television advertising.

Yet the media moguls cannot further expand until the Medienanstalten – the 15 Länder, or state, regulators which issue broadcasting licences – agree on a new media law. The current law limits any single private company to 49.9 per cent ownership of a television station.

As the discussion about a new media law heats up, Mr Kohl may think it is time to move against ARD, ensuring its sympathy for the CDU as an insurance policy against more critical independent channels in the future.

But German TV journalists are keen to protect press freedom and their jobs, and the states want to keep their own TV stations. The struggle over the future of German broadcasting has only just begun.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

UK cannot use Rome treaty to impose ban on calf exports

From Mr William Waldegrave, MP.

Sir, Stanley Johnson's letter of January 31 suggests that a unilateral UK ban on the export of calves would be permissible under the Treaty of Rome.

He refers to Article 36 of the treaty as specifically permitting a unilateral ban on imports or exports where animal health is threatened.

I have recognised that the legal position is crucial, and careful consideration has been given to the best case that could be made in favour of measures banning the export of calves, or imposing selective restrictions intended to ensure that they are reared in other member states under conditions corresponding to those applied here.

The conclusion that emerges from the legal advice available to me is that such measures cannot be justified, for the following reasons:

- There is already in existence a directive on welfare standards for calves which forms part of the Community legislation governing trade in calves and I am advised that the terms of that directive would preclude member states from introducing export restrictions;
- Article 36 of the treaty can in some circumstances justify export restrictions, on the grounds of the protection of health and life of animals, which includes animal welfare.

That article, however, is only available to member states where there is no Community legislation governing the particular area. But that is not the case here, given the directive on welfare standards;

- Also, it is very probable that measures banning or restricting the export of calves would constitute an unacceptable interference with the operation of the Common Agricultural Policy, as it affects the market for beef and veal;
- A total ban on all calf exports could not in any event be justified under Article 36, because it would be deemed to be disproportionate;
- In addition to the grave difficulties of justifying them legally, selective restrictions would present severe practical problems of enforcement.

In the light of these considerations, there is no point in proceeding down this road. We have to work in Brussels to get the progress we all want; Mr Johnson, a successful campaigner for higher Europe-wide environmental standards in the past, knows that such battles can be won.

William Waldegrave,
minister of agriculture, fisheries and food,
Whitehall Place,
London SW1A 2HH, UK

ICI pays pensions from pension fund

From Mr Martin Adeney.

Sir, The article in the FT concerning the ICI Pension Fund ("ICI cash supplements pensions", February 2) gives the misleading impression that some pensions will in future be paid directly from corporate funds.

ICI wishes to make it clear that all fund pensions will continue to be met from the ICI Pension Fund, which is independent of ICI.

The confusion may have arisen from a decision made by the company, and agreed with by the trustees of the fund, that, as from April 1 last year, the cash required to fund pensions payable on early retirement shall be paid from the company into the fund immediately, rather than over an extended period.

This change is not expected to have any increased impact on the ICI Group cash flow or earnings over the next few years.

Martin Adeney,
group public relations manager,
ICI,
9 Millbank,
London SW1P 3JF, UK

Sugar imports unlikely

From Mr John Walker.

Sir, There are, of course, two sugar industries in the UK, a beet industry and a cane industry, a fact that David Richardson fails to mention in his column, "Farmer's Viewpoint" (January 31). He forecasts that a decline in UK beet quotas will result in increased imports from the Continent with shortages and rationing for users.

The fact is that the combined domestic output of beet sugar from British Sugar and cane sugar from Tate & Lyle results in a surplus on the UK market of some 100,000 tonnes. In addition, the UK has traditionally imported some of its needs to satisfy consumers who prefer to have a third source of supply. The result is the UK is an exporter of more than 200,000 tonnes per annum, hardly a situation likely to lead to "rationing for UK consumers" in the event of expected General Agreement on Tariffs and Trade driven quota cuts.

It is perfectly natural for both UK beet and cane industries to seek to limit Gatt restrictions to production. In making the case for beet, David Richardson paints an alarmist and distorted picture of the likely impact on the UK sugar supply/demand balance.

John Walker,
managing director,
European Sugar Division,
Tate & Lyle,
Sugar Quay,
Lower Thames Street,
London EC3R 6DQ

Animal rights and other protests

From Mr Stanley Crossick.

Sir, Re your editorial, "The morality of animal rights" (January 30), there appears to be widespread support in the UK for European Union legislation to impose British standards of animal treatment in all 15 member states.

I wonder how many of the supporters of such EU-wide legislation have protested in the past against unnecessary Brussels interference in matters which may be more appropriately regulated by the individual member states?

Stanley Crossick,
Belmont European Policy Centre,
42 Boulevard Charlemagne,
B-1040 Brussels,
Belgium

In no way unique

From Mr J Rowbottom.

Sir, We were told in the article "Financial fat cats or tigers" (January 28/29) that "chief executives point out with some bitterness that the British public is more accepting of high rewards for pop stars and sportsmen than for businessmen".

Any chief executive who makes this point is guilty of comparing oranges with lemons. Whatever one's view of the antics of sportsmen and pop stars, these people do have a degree of uniqueness not apparent, by and large, in chief executives.

Furthermore, each of the entertainers has succeeded more by his or her own individual efforts – rather than by a team's effort – again in contrast to many chief executives.

There may well be as many as 5,000 (one in 10,000 of the population) in Britain alone who could do British Gas chief executive Cedric Brown's job, I would suggest.

J Rowbottom,
Fairmount,
Queen's Drive Lane,
Ilkley,
West Yorkshire,
UK

Wrong type of investor bailout

From Mr J. Herman Nisenson.

Sir, Your editorial "A sensible retreat" (February 1) welcomes the $47bn Clinton support programme for Mexico for allowing the Mexican government to clear its $16bn in foreign-owned dollar debt (Tesobonos) that will mature in the coming months. In other words, an officially financed bailout of the bondholders who accepted high interest rates in return for the risks of non-repayment.

The Clinton administration might do well not to allow its financial package to be used for such a bailout and demand the formation of a committee of American holders of the $15bn in Tesobonos to negotiate a lengthening of the dangerously short term of the Tesobonos.

This would make the bond holders share in the solution of Mexico's financial problems, along with the US Treasury's. When I worked for the Treasury on the solution to the debt crises of the 1980s, the banks were made to absorb some of the losses from their ill-considered foreign loans. The same should apply to today's investors in Mexican bonds.

J. Herman Nisenson,
2900 Ordway Street NW,
Washington DC 20008, US

A tax on dividends

From Mr Christopher Daws.

Sir, Lex ("Cadbury/Dr Pepper", January 27) comments on Cadbury Schweppes financial engineering through an underwritten enhanced scrip dividend alternative (Uesda) and finds value for shareholders in the Advance Corporation Tax "saving". Looked at more simply, there is an overall loss of value for shareholders. Cadbury Schweppes could have increased its capital by cancelling the dividend. No dividend – capital increased by £88m. No dividend – ACT of £23m saved. Easy.

But instead it has to go through the machinations of the Uesda. Still no dividend. But now shareholders are faced with underwriting fees, advisory fees, extra tax bills and a smokescreen pretending it was a dividend, just a bit less tangible than the usual sort. A warm glow in the City and a dent in shareholders' pockets.

It all comes back to ACT. Once accountants realise ACT is a tax on shareholders' dividends, not on company profits, Uesdas and similar nonsense will disappear overnight.

Christopher Daws,
Sheepscombe House,
Jack's Green,
Sheepscombe, Stroud,
Gloucestershire, UK

FINANCIAL TIMES

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Friday February 3 1995

Surprisingly reassuring

Yesterday's half-point increase in UK interest rates was both widely expected and reassuring. That in itself is a marked contrast with the recent past. Only a few years ago, interest rate rises were less cause for reassurance than sure confirmation that the economy was in trouble. The latest increase, by contrast, is further, tentative evidence that the recovery is going unusually well.

The setting for the monthly meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, Bank of England governor, was sufficiently benign that the two might have deferred a further increase in base rates for a month or so without causing serious concern. One reason to defer action might have been a shared conviction that growth was slowing of its own accord. Indeed, Mr George spoke earlier this week of an economy "that has been through the peak of its growth and is beginning to moderate".

The first estimate for fourth-quarter GDP growth released last week showed a 0.8 per cent increase, the same rate as the previous quarter. As the Treasury pointed out in yesterday's monthly monetary report, this means that growth in the second half of last year looks to have been significantly lower than the 1.2 per cent average growth of the first two quarters of 1994.

Other recent data are also tentative grounds for reassurance. The narrow measure of money supply, M0, grew by 6.4 per cent in the year to January, down from the previous figure of 6.8 per cent. Underlying growth in average earnings remains at a modest 3¾ per cent, the same rate as January 1994. The sombre picture of the housing market painted by the Nationwide Building Society's survey earlier this week removes another traditional source of an inflationary boom from the current economic mix.

Continued contrast

Two other ingredients – public sector spending and a rapidly expanding service sector – are also lacking. As was true for much of last year, the only sector truly enjoying the recovery is manufacturing, which is now estimated to have grown by around 4¼ per cent last year.

The continued contrast between this sector and others, which affect voters more directly, is bad news for the government but a welcome development for the country. But the long-term re-balancing of the economy towards manufacturing could all too easily fall victim to inflationary pressures if the authorities fail to keep activity elsewhere sufficiently in check.

The latest quarterly industrial trends survey, published last month, carried worrying signs that some of the recent growth in manufacturing input prices were now being passed further down the production chain. Perhaps just as worrying, there is as yet scant evidence that the surge in manufacturing exports and profits is triggering the long-awaited upturn in investment.

Unexpected rise

In the short term, December's unexpected rise in retail price inflation, which (excluding mortgage interest) was 2.5 per cent in the year to December, is likely to be followed by further rises in the coming months.

Mr George has warned that a combination of recent tax increases and rising raw material costs could push inflation up sharply between now and April, to around 3.5 per cent. The hope is that inflation will then fall back to a level more consistent with the government's target. If both the chancellor and the governor are hoping to rebuff pressure to raise rates in the face of this uptick in the RPI, they will find it easier to do so after yesterday's display of prudence.

Neither Mr George nor Mr Clarke can entirely escape the past. The economy as a whole has never proved capable of growing faster than 2½ per cent over an extended period without pushing up inflation, and UK chancellors have never resisted the temptation of trying to prove otherwise.

Both doubts will nag at the recovery for a good while yet: not least, as the general election approaches. In time, yesterday's rise ought to help lessen some of the current upward pressure on prices. If it can also pre-empt some of the deeper doubts about the UK monetary authorities' ability to sustain the recovery, the country will have been well served by Mr Clarke's decision.

Testing Lloyd's solvency

Lloyd's of London is not yet out of the woods. On Wednesday, the independent insurance analyst Chatset forecast that the Lloyd's insurance market would show a loss of some £250m for the year to December 1992, when the results are published in May. After taking account of additional claims trickling in from old policies, it suggests the loss for the year could reach £1bn.

That figure would push Lloyd's accumulated losses since 1988 from a series of natural and industrial disasters to about £8bn. The question now is whether it can pass its annual solvency test in August, carried out by the Department of Trade and Industry. Lloyd's says that it is confident there will be no problem. But if the unthinkable happened, and it did not pass, it could be forced to stop trading.

European and UK regulation of insurance companies is intended to protect holders of insurance policies. At Lloyd's, these are mainly large corporations; motor policies are the only significant class of personal cover. Throughout its losses, Lloyd's has always met its claims in full; to that extent, regulation has worked. But policy holders might still ask whether the DTI's assessment of solvency gives them adequate protection in the future.

There are two separate tests. The first, applied under European regulation to all insurers, weighs up assets of all Lloyd's syndicates against expected claims. Last year, Lloyd's said that it had net assets of £6.3bn in December 1993, three times the amount required. That is below its 1980s peak of 10 times, but better than the previous year's ratio.

Unique structure

However, that test is of limited use given Lloyd's unique structure. It does not trade as a single entity; the "Names", or individuals who have historically provided the capital, all trade on their own account, and a Name's assets are not available to meet claims against others. A second test, prescribed by UK regulation in 1983, assesses whether Names can meet their liabilities, and if they cannot, whether Lloyd's' central fund can make up the shortfall.

The DTI has some room for discretion in the application of this test. At the end of 1993, the last year for which figures exist, 9,000 Names had not met their liabilities. To date, the central fund, which has paid policyholders on Names' behalf, is owed more than £1bn by those Names. In assessing solvency, Lloyd's auditors Ernst & Young and the DTI need to keep an eye on whether the central fund, to which Lloyd's members make annual contributions, could run dry.

Sufficient reserves

That is a complex question. Lloyd's says that, at present, there is no danger. It believes that it has sufficient reserves to pay the most problematic claims – those under US environmental and health-related laws – for the next 17 years. Recovery of debts from Names would further strengthen the fund. So would the settlement of court actions brought by Names who are alleging that underwriting agents were negligent. As a last resort, Lloyd's might ask its members to pay a special levy, although they can refuse.

Clearly, there is still room for manoeuvre. But there is none for complacency, given the still-unknown extent of US claims. While Lloyd's argues that it has much higher reserves against such claims than most US insurers, that may prove slender comfort. The reserves of the world's entire insurance industry could well be inadequate if those laws were enforced to the letter, let alone the private wealth of the British upper middle classes.

In the current uncertainty, policy holders deserve a clear account from regulators of the definition of solvency employed. Regulators should also show how much they depend on assumptions about future claims, projected cash flow, and the capacity of the central fund.

Lloyd's finances have always been opaque even to those who devote their lives to deciphering them. The recent uncertainty over the extent of its liabilities compounds that problem. At this critical point in the market's history, regulators need to show that they have clear criteria for measuring its financial soundness. They then need to spell out how Lloyd's measures up to such yardsticks.

Leaning tower of government

Italy's premier lacks a clear parliamentary majority, but may survive beyond the summer, says **Robert Graham**

Never has an Italian government been born in such precarious conditions as that now headed by Mr Lamberto Dini, the former director-general of the Bank of Italy.

The 54th post-war administration cleared its final parliamentary hurdle by winning a vote of confidence in the senate on Wednesday. But Mr Dini lacks a clear majority in parliament. The government, composed for the first time entirely of non-parliamentarians, could fall at any moment.

Paradoxically, Mr Dini, who served as treasury minister in the previous right-wing Berlusconi administration, is supported by the centre-left parties that were the principal opponents of that government. The paradox is even greater since Mr Dini is associated with the pensions reform against which the opposition backed a general strike last autumn. Italy thus has a government of technocrats with a liberal/right-wing philosophy, the principal ally of which is the former communist Party of the Democratic Left (PDS).

To make the situation all the more unusual, the outgoing coalition nominated the 64 year-old treasury minister as their candidate for premier. But the parties in that coalition withheld their support in the confidence vote – a signal that they could make life impossible for Mr Dini whenever they wished.

Although Mr Dini has a reputation as an ambitious man, he has adopted a limited mandate with four priorities: the introduction of a mini-budget; reform of the deficit-ridden state pensions system; changes in the laws for regional elections; and new ground rules for the media during elections.

"Once these tasks are completed, the government will regard its mandate as expired," Mr Dini told parliament outlining his programme.

"The same conclusion applies if insuperable obstacles are placed in the way of achieving these objectives quickly," he added. In other words, Mr Dini will resign if he finds his path blocked.

The resignation threat is the only weapon in his armoury. If he were forced to resign before completing these tasks, it would be difficult to avoid the dissolution of parliament in the absence of any other plausible formula for forming a government. As a result, the country would go to the polls in a very unstable environment. More seriously, the financial markets would be alarmed by the political uncertainty, precipitating a damaging run on the lira.

It was precisely to head off a snap election on the fall of the Berlusconi government and a damaging financial crisis that President Oscar Luigi Scalfaro asked Mr Dini to form a government.

Mr Dini has refused to tie his hands in advance and impose a formal timetable for completing his mandate, as demanded by Mr Silvio Berlusconi the former premier. He has merely hinted these four objectives could be achieved before the summer, if not earlier.

He has, however, framed his objectives in the context of a broader agenda of good government, thus giving himself leeway to extend his mandate. The real question, then, is whether this government will be restricted to its stated objectives or expand them to a longer life of, say, a year.

The determining factor will be when a majority of those in parliament decide it is in their interests to go to the polls. At present the majority are against early elections largely for selfish reasons.

The populist Northern League of Mr Umberto Bossi, which forced the downfall of the Berlusconi government by breaking from the coalition, is torn by divisions and needs time to redefine itself. Similar considerations apply to the centrist Popular Party (PPI), which is still uncertain about its identity having been created only last year from the long-ruling Christian Democrat party. As for the PDS and its allies, they have no wish for elections so long as Mr Berlusconi and the right ride high in the opinion polls.

Mr Berlusconi and his allies want an early election to capitalise on their continued popularity. The polls give Mr Berlusconi's Forza Italia and the newly reorganised right under the banner of Mr Gianfranco Fini's National Alliance (AN) over 50 per cent of the vote. Although Mr Berlusconi failed to persuade President Scalfaro to dissolve parliament and call a general election at the end of March, he is still arguing for a June deadline.

However, Italy desperately needs a period of stable government after the tumultuous eight months' experience of having a media magnate in the political driving seat. Passions have to cool and rules introduced on the way elections are conducted when Mr Berlusconi remains the proprietor of three commercial television channels and the outgoing government has its appointees controlling state broadcasting.

Clockwise from top left: Silvio Berlusconi wants early election; Lamberto Dini refuses to tie his hands; Rocco Buttiglione; and Gianfranco Fini

Equally, firm financial measures are essential to reduce Italy's huge mountain of debt and a head off a crisis of confidence in the financial markets as the 1995 budget deficit widens. The lira has fallen to historic lows against the D-mark and any further fall carries both the risk of higher interest rates and a return to inflation.

In the present highly-charged climate, six months is a short time to achieve a minimum of financial and political stability. Or as one commentator observed: "How can one ask Dini to achieve before summer what Berlusconi failed to achieve in eight months?"

On the other hand, a government chosen entirely from outside parliament is likely to be transitory in an advanced western democracy. Many issues are pending that can only be tackled by a government with a longer mandate from the ballot box: they include tax reform, the education system, constitutional change, modernising the armed forces, shaking up the the civil service and resolving judicial problems raised by the corruption scandals.

Yet it will be hard for the parliament to legislate on these when it is split between two coalitions, neither capable of assembling a secure majority.

The Freedom Alliance that came to power after last March's general elections was mainly composed of Forza Italia, the League and the MSI/National Alliance. Mr Bossi's desertion in December not only removed its parliamentary majority but pushed the coalition more towards the right.

The League is now in the process of splitting, with a minority remaining in the Berlusconi camp or turning independent. Meanwhile Mr Fini buried his party's fascist past last weekend by disbanding the MSI and absorbing its members into the National Alliance which he is shaping as a sort of Italian Gaullist party. The strength of AN, building on the organisation and strong roots of the MSI in the centre and south, is already drawing support from the year-old Forza Italia movement, the ill-defined vehicle for Mr Berlusconi's political ambitions which lacks its own national infrastructure.

In the centre, the Popular party is close to breaking up in the wake of the Berlusconi's government's resignation. A divide exists between those who see the future in a coalition on the left with the PDS (favoured by the bulk of the members of parliament), and those wishing to team up with Mr Berlusconi and Mr Fini(the rank and file). The church in recent days has begun to exert strong back-stage influence for the move by the PPI to the right, a move advocated by Mr Rocco Buttiglione, the party's leader.

These shifts reflect the move towards two broad political groupings following the change in electoral laws allowing two-thirds of parliamentary seats to be won in a first-past-the-post ballot. But the political realignment is far from complete, and the majority in parliament would probably prefer to see the Dini government survive perhaps beyond the summer and even into next year.

For this reason, most politicians would prefer to let the government push through new laws for regional elections to be held in April/May. The outcome of these polls would determine the shape of future alliances and probably the timing of the general election.

But this scenario also depends upon the political skills of an untried premier in a country that never ceases to spring surprises. The sensitive issues are less economic and more political – especially the handling of Mr Berlusconi's television interests. If Mr Dini fumbles those issues, he will lose the support of the left and make way for Italy's 55th post-war administration.

The strange death of a pension scheme

PERSONAL VIEW

Ten years ago the UK government published a green paper in which it proposed the abolition of the the State Earnings Related Pension Scheme (Serps). At the time the scheme was only seven years old, having been introduced with cross-party support under the last Labour government.

Controversy had surrounded the scheme since shortly after its introduction, partly because of concerns about escalation in future costs and partly because many people thought the government should limit its role to providing minimum pensions for people who had no provision of their own.

But opposition to abolition was so vociferous that Lady Thatcher backed down and settled for halving the benefits eventually to be paid out by the scheme.

Yet barely a voice has been raised in protest at the further halving of state earnings-related pensions implicit in the pensions bill currently making its way through parliament. Expenditure on the scheme in 2040 is projected to fall (in current prices) from £19.5bn to roughly £10bn as a result of changes set out in the bill.

We calculate the changes mean a person retiring in 2000 will lose at least £2.50 a week (or £130 per year) in his or her state earnings-related pension, compared with the present rules. The reduction increases each year thereafter for 20 years.

This cut in pension will affect all members of the state scheme who retire from the year 2000 onwards, irrespective of their income. In other words, the losses will be much higher as a proportion of income for those with the lowest incomes.

It will also be retrospective: the reduction will be applied to all accrued entitlements for those retiring from that date on.

The absence of protest over this cut is more likely to reflect lack of knowledge about the changes than anything else. For these future expenditure cuts are buried in a morass of technical detail in a bill that also deals with equalisation of state pension ages and the regulatory issues that have followed the Maxwell debacle and the subsequent Goode report on occupational pension schemes.

But obscure technical details have always been rather important in the world of pension provision. The fiendish complexity of pensions leaves most people ignorant about their rights – let alone the workings of the whole system.

The losses will be much higher as a proportion of income for those with the lowest incomes

The main reason for the cut in earnings-related pensions is a change in the method for calculating the proportion of earnings on which state earnings-related pension is paid. As a result of changes in indexation procedures, the amount of earnings from earlier years that count will fall – reducing the amount of pension.

But the change will affect even people who are contracted out of the state scheme into occupational pensions – as the vast majority of earners are.

At present, the government is responsible for underwriting part of the guaranteed minimum pension that schemes have to provide if they are to be allowed to contract out of the state scheme. For accrued benefits, the cut in pensions paid in the state scheme will reduce the government's responsibilities in doing this. A further measure in the bill abolishes the guaranteed minimum pension for future benefits – eliminating the government's responsibility for indexing the guaranteed minimum.

This will put an additional burden on the occupational pensions industry if it wishes to maintain the pensions that its members can currently expect. If incomes in retirement are not to fall, members (and perhaps employers) will have to pay higher pension contributions.

Taken together, these changes in the state earnings-related pension and guaranteed minimum pensions represent a substantial saving in public funds. They also mark a further step away from any substantial state role in the provision of earnings-related pensions.

Meanwhile, the value of the flat-rate state pension continues to fall as a percentage of average earnings – from 20 per cent of average male earnings at the end of the 1970s to around 15 per cent now, and forecast to fall to just 7 per cent by the middle of the next century.

As the contents of the rest of the pensions bill demonstrate, the government now sees its role more as a regulator than as a provider of pensions. The state pension scheme is increasingly becoming a residual one, paying rather low benefits to those who cannot make other, private, arrangements. The lingering death of the earnings-related part should end the controversy that has surrounded it since inception.

Richard Disney and Paul Johnson

The authors are economists at the Institute for Fiscal Studies

OBSERVER

Chinese buddies

■ Rupert Murdoch is a man with vision. So Hong Kong's China-watchers are keeping a close eye on his courting of the family of Deng Xiaoping, China's ailing leader.

Murdoch's News Corporation, with media ambitions in China, is sponsoring a tour of Australia and New Zealand by Deng's eldest son, Pufang. Also travelling with Pufang are 42 disabled dancers, musicians and singers. Pufang, who was rendered paraplegic when thrown out of a building during the Cultural Revolution, is chairman of China's disabled persons' federation.

Meanwhile, Murdoch's HarperCollins has brought out an English language version of Deng's biography, penned by his daughter, whom HarperCollins is also escorting round Australia.

Some Hong Kong businessmen have long cosied up to the Dengs, while Deng was in control of day-to-day affairs. But with gathering rumours of his impending death, why woo his children? Does Rupert know something we don't?

Time and tide

■ Concern over the health of Lewis Preston raises the question of who might succeed him at the World Bank if illness forces him aside. One contender is perhaps too distracted by the Mexican crisis, but the other is lobbying hard.

Larry Summers, 40, undersecretary for international affairs at the US Treasury and the bank's former chief economist, is a brain box who has yet to prove he can run a big organisation. A red rag to the environmentalists – who remember the infamous leaked memo in which he appeared to advocate dumping toxic waste in less-developed countries – he was, pre-Mexico, reckoned keen to have a go.

But James D Wolfensohn is making all the noise at the moment. Seemingly tired of coining money at his Wall Street boutique, he would love the job.

Perhaps the most important criterion this time round is age; no president has served two five-year terms since Robert McNamara, who stood down in 1981. And it shows. It takes a couple of years to get to grips with such a huge organisation, and Tom Clausen, Barber Conable and now Preston have not dazzled.

Wolfensohn is 61, four years younger than Preston when he took it on. Maybe Summers has time on his side.

Gnomic Zurich

■ Directors of Union Bank of Switzerland were thin on the ground at yesterday's press opening of the lavishly restored Widder Hotel in central Zurich.

The UBS bosses are in the midst of a bitter governance battle with the bank's largest shareholder, and probably did not want reminding of their association with a project that has already forced them to write off much of a SwFr180m investment.

So it was left to honorary chairman Robert Holzach, whose pet project the hotel has been, to whip up enthusiasm.

Holzach, a figure of awe in Swiss banking circles because of his legendary nose for a bad risk, was philosophical about the Widder: "Experience helps when assessing a risk, but it is only one element," he confided.

Tehran story

■ Iran is planning an innovative contribution to literature – a contest for the best short story on the life of British author Salman Rushdie, in hiding since Tehran imposed a death sentence on him six years ago.

The Islamic Propagation Organisation is offering a prize of 10 gold coins – worth about $1,500 – and a plaque to the author who best depicts Rushdie's "horror and anxiety-ridden" life.

Probably not many entries from Iran's journalists; more than 500 of them have signed a petition asking the government to permit retirement after 20 years' service. They say that they live at least 10 years less than other people and very few reach retirement age. The hazards of the job have led to a higher than average fatality rate.

Drying tomes■

The Netherlands should watch out for an influx of bibliophiles, following the news that the main national wholesale book depot, Centraal Boekhuis BV, has been abandoned as part of the flood evacuation. An estimated 37m books, worth $470m million, have been abandoned.

Centraal Boekhuis distributes two-thirds of all books sold in the country, but its Culemborg warehouse is in the middle of one of the evacuated areas. The firm was doing its best to keep supplies going, but meanwhile is losing almost $30,000 a day in lost business and additional costs.

Don't I know you?

■ Jacques Santer, newly crowned president of the European Commission, turned up for lunch this week at the EC's cafeteria. As he reached the cash register with his grub, he was asked for identification in order to get a discount on the food. He didn't have one. The cashier let him through anyway, after staff explained he was their new boss. How much of a discount does he get on bangers and mash anyway?

The Financial Times

50 years ago

Belgian trade ban lifted

London: Three new Trading with the Enemy Orders have been issued with the object of removing the obstacles in the way of trading relations with people in Belgium arising from the previous Trading with the Enemy Regulations.

The effect of these decrees is to free transactions between people in this country and those in Belgium. The orders became effective as from 1st February. The position with regard to money and property accruing held by the Custodian before that date remains unchanged. Banking channels are restored *in toto*, which means British banks will be able to open up again.

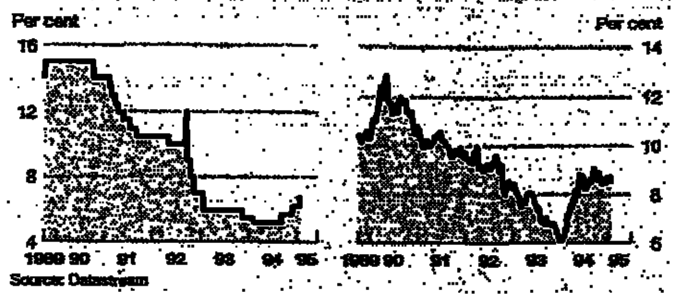
New York: The US Treasury announces the lifting of the three-year ban on business and commercial transactions with Belgium to allow exchange of financial and commercial information. Concerns in Belgium and the US may now "negotiate for the commencement of private trade" as soon as American banks establish arrangements with the Belgian banks.

The Financial Times was not published on Sunday February 3 1895.

FINANCIAL TIMES
Friday February 3 1995

UK interest rate rise meets mixed reaction

By Peter Norman, Economics Editor, in London



Mr Kenneth Clarke, the chancellor, yesterday raised official interest rates for the third time in five months, triggering a 0.5 percentage point increase in bank base rates to 6.75 per cent.

The rise, announced at noon London time shortly after the chancellor's regular monthly monetary meeting with Mr Eddie George, the governor of the Bank of England, was welcomed by the City of London and financial markets, where it had been widely expected. But it provoked grumbling among business and industry leaders and drew sharp criticism from the Labour opposition in parliament.

Mr Clarke said he judged "on a balance of risks" that yesterday's rate rise would help keep inflation under control. That, he said, was the best way to ensure healthy economic growth, more secure jobs and higher living standards.

The chancellor's meeting with Mr George lasted about an hour. It appeared that both had concluded independently that a rate rise was necessary after signs that rising commodity prices were stoking inflationary pressures elsewhere in the economy.

Both agreed the arguments for and against a further monetary tightening were finely balanced. Wednesday's half percentage point increase in official US interest rates was only a minor factor influencing the decision.

UK share and bond markets reacted calmly to the news. Traders said investors were pleased the authorities appeared to be acting in a pre-emptive manner to combat inflation.

The FT-SE 100 index, which was 21.2 points higher just before the announcement, ended the day still 17.4 ahead at 3,034.7. Long gilts prices fell slightly but outperformed weak German and US government bond markets. In London, sterling closed little changed, down slightly against the D-Mark at DM2.405 against DM2.4083 on Wednesday, but up a fraction against the dollar to $1.5823 from $1.5816.

Business leaders were generally less sanguine. Mr Howard Davies, director-general of the Confederation of British Industry, said the CBI thought inflation remained under control and "domestic conditions did not require a further rise in rates".

The British Chambers of Commerce, which have many small businesses among their membership, said they were "seriously disappointed with the rise".

In parliament, Mr Gordon Brown, the shadow chancellor, said the rise was "a double blow to living standards, making an already insecure Britain even more insecure".

However, leading mortgage lenders reacted cautiously, with several big building societies saying there was no immediate need to raise the cost of home loans.

Bid to avoid boom and bust, Page 8; Editorial Comment, Page 19; Lex, Page 20; London stocks, Page 34; International capital markets, Page 28

S Africa drafts law to reform labour relations

By Roger Matthews in Johannesburg

A new era in South African industrial relations was heralded yesterday with the publication of a draft labour law.

The government of national unity hopes the draft law will receive parliamentary approval by the end of this year.

The intention of the document, at the centre of relations between companies and unions, is to provide a broad structural framework, while contentious issues – such as union demands for a 40-hour week and a minimum wage – are left to the bilateral negotiating process.

Mr Tito Mboweni, the labour minister, said the proposals formed an important part of the government's plan to transform society, and came as "a direct consequence of South Africa's re-entry into the global economy".

The nation was being forced to confront world-class producers in international and domestic markets, he declared, and had to modernise. "The workers are no longer prepared to accept the low wages and paternalism that the maintenance of the old system presupposes."

For too long, Mr Mboweni said, industry had been characterised by "harsh supervision, hard labour and tariff protection", while the perception had grown that South Africa was a strike-torn society.

It was not clear, however, how some of those concerns could be reconciled with South Africa's relatively high labour costs – a key factor in efforts to attract foreign investment – and the need to create more jobs.

According to data provided last year by the country's National Productivity Institute, hourly manufacturing wages in South Africa – at $4.78 in 1993 dollars – ranks just below wage rates in Singapore and South Korea (where productivity is far higher), and well above countries such as Malaysia ($1.80), Thailand ($0.71) and the Philippines ($0.68).

The new legislation seeks to improve the negotiating environment by creating a new conciliation and arbitration service, funded by the state, by defining unfair dismissal and its remedies, and by establishing the right of workers to participate in "workplace forums".

Before embarking on strike action, or ordering a lockout, unions and employers will, under the new proposals, have to submit themselves to the conciliation service.

Some union leaders are expected to fight that limitation on their freedom to initiate industrial action, while employers are concerned at the abolition of the requirement for a compulsory ballot of union members before a strike is called.

THE LEX COLUMN

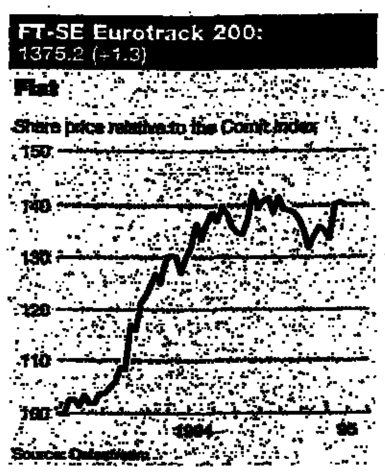
Salomon's slips

Salomon may not be Kidder Peabody, but yesterday's $217m charge for previously over-reported profits carries a whiff of Kidder's phantom trading profits about it. The over-reported profits may stem purely from book-keeping errors, not employee wrongdoing. But it hardly inspires confidence when a big investment bank cannot do its sums. Moreover, Salomon is unable to answer satisfactorily why the bulk of the errors were to do with over-reporting rather than under-reporting profits. If the thousands of errors were random, one would have thought they would roughly cancel each other out. Instead, the firm is left nursing total charges of $381m – when the $164m charges taken in previous periods but only now spelt out are included.

Salomon claims to have a spanking new control system which will prevent similar problems recurring. There is no reason to doubt this. But this is not the first time Salomon has suffered from inadequate controls: the Treasury bond scandal of 1991 nearly sank the firm. One wonders whether it suffers from some more generalised control problem.

The underlying business is not doing brilliantly either. Markets can be blamed for last year's $636m losses from "client-driven" business – market-making, underwriting and the like – and $49m losses from proprietary trading. But if business does not pick up, Salomon will have to cut back on staffing levels. Its hopes of joining the ranks of the leading global investment banking groups would then be dashed.

FT-SE Eurotrack 200: 1375.2 (+1.3)



Fiat

After crisis in 1993, Fiat is in the full throes of recovery; that is the chief message of yesterday's figures from the Italian car manufacturer. The swing from a pre-tax loss of L1,384bn in 1993 to a profit of L1,750bn last year is more pronounced than analysts had expected. The resurgence of operating profits is impressive, a tribute to the regeneration of the company in the past two years.

This owes much to factors beyond Fiat's control – the weakness of the lira which has helped exports. But Fiat must take credit for a root-and-branch reduction in costs and astute development of new models, notably the Punto. The group's future hinges to some extent on the success of the model relaunches planned for this year which will leave Fiat with the youngest range of volume cars in Europe. Assuming these prove popular, the group's recovery should continue apace; Fiat's pre-tax profits are on course to treble by the time they hit their peak in 1997 or 1998.

From an investor's point of view, the problem is that much of the expected recovery is in the price. The shares have outperformed the local market by 40 per cent in the past year and now stand on a multiple of some 7.5 times predicted peak earnings – the highest rating of any European automotive manufacturer, German companies excepted. A further risk is that resolution of Italy's political and economic uncertainties may lead to a stronger lira and depress consumer demand, neither of which would be good for Fiat's earnings.

UK interest rates

The chancellor of the exchequer erred on the side of caution yesterday, but the subdued market reaction reflects the predictability of the rate rise. Signs that industry is under pressure to pass rising commodity costs on to consumers were always likely to meet with swift retribution. And the Bank of England is clearly keen to gain credibility for its anti-inflationary battle plan. Hence the lowering of interest rate expectations in the futures market, which could provide the government with another pat on the back in the form of lower borrowing costs.

Nonetheless, there is a long way to go before the chancellor can demonstrate that he has vanquished inflation without sacrificing the economic recovery. Recent economic data have provided a confused picture of the strength of UK growth – hence the vast spectrum of interest rate forecasts. Wage push pressure remains relatively subdued and housing prices were already vulnerable even before the latest rise. The government has been concentrating on the effects of strong export demand. But there is a danger that the latest rise could reverse the slightest of housing recoveries, and further stifle domestic consumer spending.

Some believe the government will tighten monetary policy excessively this year so that it can then loosen it in the run-up to the next general election. Even if that were good politics – which is doubtful – it would be bad economics. Further monetary tightening will probably be needed but not the application of thumbscrews.

Wellcome

Wellcome's last ever results were a fine tribute to the management's achievements. Since Mr John Robb became chief executive five years ago, operating margins have improved more than 10 percentage points to 31.5 per cent. Sales of Zovirax, its top-selling medicine, expanded 16 per cent last year, an impressive rate given the drug's age. Few other pharmaceuticals companies will post double-digit turnover and earnings growth for 1994.

On the basis of these results, Mr Robb claims Glaxo is underpaying for Wellcome. True, the exit multiple of 19.7 times earnings per share is below those paid for American Cyanamid and Squibb, but different accounting standards make such comparisons less than perfect. A more appropriate reflection of the bid's value is the sales multiple, which at 4.3 times suggest Glaxo is being more than generous. Wellcome's shareholders should be content with their 49 per cent premium to the pre-bid closing price.

Whether Glaxo shareholders should be as pleased is another matter. Zovirax sales will take a sharp bit in 1997 when US patents expire, as will those of the kidney transplant drug Imuran when Roche launches a competitor product this year. The deal only makes sense for Glaxo shareholders if the company can strip out sufficient costs from the businesses and generate additional sales through the combined distribution networks. The worry is that, although Glaxo's managers are skilled marketeers, their cost-cutting record is uninspiring.

Additional Lex comment, Page 26

Major faces Unionist MPs' backlash after Ulster leak

By John Kampfner, Robert Peston, David Owen and John Murray Brown in London

The nine Ulster Unionist MPs will withdraw support from the British government unless the framework document for Northern Ireland is radically redrawn to water down provisions for cross-border institutions.

As prime minister John Major continued his determined attempts to minimise the damage caused by the leak of extracts of a draft document, senior Unionist MPs disclosed that at a party meeting yesterday they had decided to present the government in effect with an ultimatum.

The Unionists will make clear that at the top of their list of demands is a stipulation that any future all-Ireland authority should come under the sole jurisdiction of a Northern Irish assembly. If not, they will no longer vote with the Conservatives.

One Unionist MP said: "We made it clear that the leaked text of the framework document, which seems to be authentic, is not an acceptable basis to proceed."

They said, however, that they would make no move until the final document proposing constitutional arrangements for Ulster was published.

Deprived of the support of the nine Euro-rebels, who were suspended from the Conservative whip in December, the prime minister depends on the Ulster Unionists to maintain a working majority.

Mr Major, who has ordered an inquiry into the source of the leak, reinforced his televised appeal for the people's trust with a call to MPs to wait for the document's publication.

He told the Commons: "There is a communal will not to be distracted from the goal of a peaceful and permanent and agreed settlement in Northern Ireland."

He implied for the first time that he might be forced to appeal over the heads of Northern Ireland's political parties to its people, if the parties cannot agree to new institutional arrangements in the framework document.

The Irish government announced last night that five IRA prisoners would be released early as part of its continuing response to the ceasefire.

Unionists snatch advantage, Page 8

Errors figure in Salomon pre-tax loss

Continued from Page 1

in, led by Mr Denham. In mid 1993 it initiated a review of the general ledger accounts throughout its business, aided by Arthur Andersen, the company's auditors. The general ledger is the main trading record.

In the London branch the review found differences between figures recorded in its general ledger accounts and the subsidiary accounts dating back to before 1989.

Salomon emphasised that it had not lost money in swaps as such. The losses were accounting problems arising when systems developed to account for swaps in the early 1980s – when swaps were much simpler instruments than they are today – could not cope with more complex swaps.

The company said a new system was now in place.

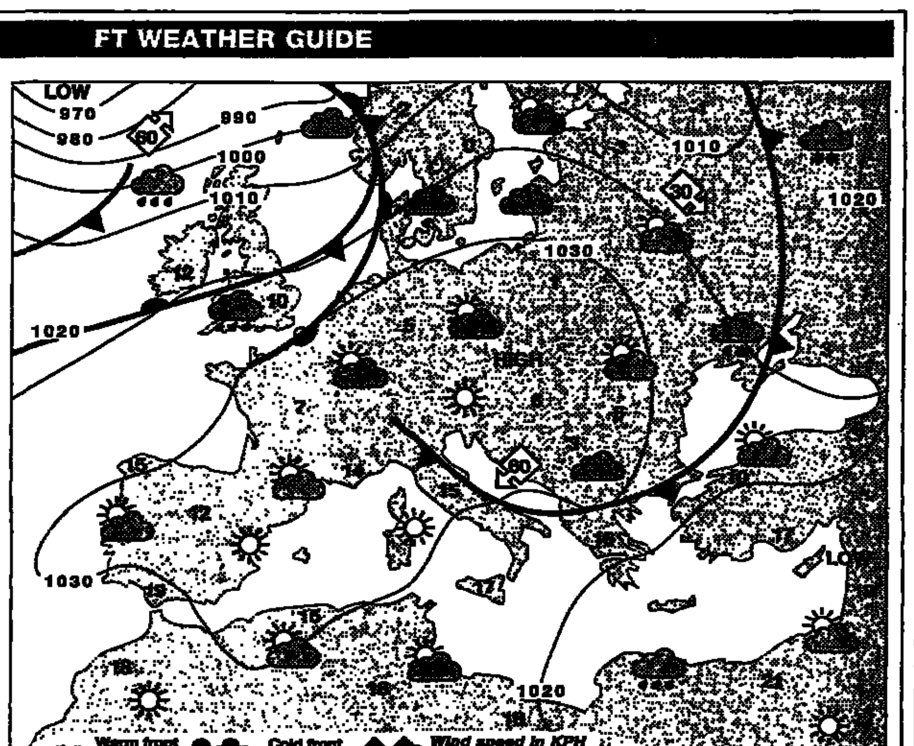
FT WEATHER GUIDE

Europe today

Northern England and southern Ireland will have rain owing to a lingering frontal zone associated with a depression over Iceland. The zone will also bring rain to western Norway. A large area of high pressure will promote dry conditions with a mixture of cloud and sun in eastern Scandinavia and north-eastern and central Europe. The high will expand into south-western Europe producing sunny spells in most of France and Portugal. The north-west of the continent, eastern Europe and the Balkans will be overcast. The western Mediterranean will be sunny but eastern and southern sections will have a mixture of sun and cloud.

Five-day forecast

Depressions moving north over the next couple of days will make the north-west UK and western Scandinavia unsettled. Associated frontal zones will dissipate as they move into the north-west of the continent resulting in dry conditions with some sun in most of Europe. High pressure will remain over south-western Europe bringing sun to the central and western Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	2	Caracas	fair	28	Faro	cloudy	18	Madrid	sun	12	Rangoon	sun	32
	Celsius		Belfast	cloudy	9	Cardiff	rain	10	Frankfurt	fair	2	Majorca	sun	16	Reykjavik	rain	5
Abu Dhabi	fair	26	Belgrade	fair	3	Casablanca	fair	18	Geneva	fair	7	Malta	fair	17	Rio	shower	29
Accra	fair	32	Berlin	fair	4	Chicago	snow	-1	Gibraltar	fair	17	Manchester	rain	10	Rome	sun	15
Algiers	cloudy	15	Bermuda	shower	20	Cologne	cloudy	6	Glasgow	fair	10	Manila	cloudy	30	S. Frsco	fair	21
Amsterdam	cloudy	7	Bogota	fair	24	Dakar	sun	26	Hamburg	cloudy	5	Melbourne	fair	23	Seoul	fair	2
Athens	sun	15	Bombay	sun	33	Dallas	sun	24	Helsinki	fair	-1	Mexico City	fair	17	Singapore	shower	29
Atlanta	shower	14	Brussels	cloudy	7	Delhi	sun	23	Hong Kong	cloudy	17	Miami	sun	26	Stockholm	cloudy	0
B. Aires	fair	30	Budapest	sun	5	Dubai	fair	26	Honolulu	shower	28	Milan	sun	9	Strasbourg	fair	4
B.ham	rain	10	C.hagen	cloudy	3	Dublin	rain	11	Istanbul	shower	7	Montreal	fair	-12	Sydney	shower	28
Bangkok	sun	32	Cairo	fair	20	Dubrovnik	windy	14	Jakarta	shower	30	Moscow	cloudy	-3	Tangier	fair	18
Barcelona	fair	14	Cape Town	fair	27	Edinburgh	cloudy	10	Jersey	cloudy	10	Munich	sun	2	Tel Aviv	sun	22
									Karachi	sun	28	Nairobi	cloudy	27	Tokyo	cloudy	9
									Kuwait	fair	25	Naples	sun	14	Toronto	snow	-2
									L. Angeles	sun	28	Nassau	fair	25	Vancouver	rain	11
									Las Palmas	fair	20	New York	fair	-1	Venice	fair	9
									Lima	cloudy	29	Nice	fair	14	Vienna	sun	4
									Lisbon	cloudy	18	Nicosia	cloudy	17	Warsaw	fair	2
									London	cloudy	10	Oslo	snow	0	Washington	cloudy	0
									Lux.bourg	cloudy	3	Paris	cloudy	6	Wellington	fair	20
									Lyon	fair	8	Perth	fair	27	Winnipeg	sun	-13
									Madeira	cloudy	20	Prague	fair	1	Zurich	fair	3

FINANCIAL TIMES
COMPANIES & MARKETS

Friday February 3 1995

IN BRIEF

Telefónica seeks domestic investors

The Spanish government is planning to offer part of its equity in Telefónica, the telecommunications company, to a core of domestic shareholders. The project was put to the chairmen of Argentaria, the government-controlled banking group, of Banco Bilbao Vizcaya (BBV), the retail bank, and of La Caixa, the Barcelona-based savings bank. Page 25

ITT profit jumps 12% to top $1bn
ITT, the US conglomerate which is shedding much of its financial services business in favour of investing in the leisure and entertainment industries, said after-tax profits jumped 12 per cent to top $1bn last year. Page 24

KLM surges five-fold for third term
Improved economic conditions and a related rise in passenger numbers helped net profit at KLM, the Dutch airline, soar five-fold in the third quarter. Net profit in the three months to December 31 surged to Fl 83m ($49m) from Fl 15m in the same quarter of 1993-94. Page 22

Virgin and Delta cleared for alliance
Virgin Atlantic Airways of the UK and Delta Air Lines of the US yesterday won US government approval for their proposed code-sharing agreement. Under the agreement, Delta will purchase a designated number of seats on Virgin flights, which it will price, market and sell independently. Page 22

Avon calling
Avon Products, the door-to-door beauty products company, raised its net income in the fourth quarter by 5 per cent to $110m, or $1.59 a share. Page 24

Nordbanken sell-off plan outlined
Sweden's Social Democratic government plans to sell off 100 per cent of Nordbanken, the biggest casualty of the 1992 banking crisis. However, it has postponed any part of the bank's sale until the second half of the year because of uncertain market conditions. Page 22

JP Morgan to shed jobs in City of London
J. P. Morgan, the US bank, has begun to shed about 110 jobs from its London operations as part of an international effort to cut costs. Page 22

Drastic step for Japanese petrochemicals
The decision by two Japanese petrochemicals makers, Showa Denko and Nippon Petrochemicals, to integrate parts of their synthetic resins business, was "a drastic step taken in order to survive at a time when competition both at home and overseas is fierce", according to the chairman of the Japan Petrochemical Industry Association. Page 25

Fyffes advances 44%
Acquisitions helped Fyffes, the Dublin-based fruit and vegetables distributor, to lift turnover by 44 per cent last year. Page 26

Costain entertains possible takeover
Costain, the troubled UK construction company, said it was having discussions with a number of parties involving the possible sale of either its remaining US coal business or "the group as a whole". Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
DLW	395	+	14.5
SAP AG	1250	+	87
Falls			
Asko	811	-	19
CKAG Col Pr	770	-	10
Klockner Wrk	115	-	5.5
Porsche	632	-	10.5
NEW YORK ($)			
Rises			
Belknl Bnc	52¼	+	3½
Masko Int	32¼	+	2
Seraltool Inc	16¼	+	3¼
Falls			
Copley Pharm	13¾	-	1½
Gibrltr Pkg	17	-	1½
Mine Safety	43½	-	2
LONDON (Pence)			
Rises			
Alld Leisure	20	+	3
Games Wshop	155	+	7
SIG	234	+	9
Siebe	519	+	12
Zeneca	801	+	19
Falls			
Bensons Crsp	18	-	12
TORONTO (C$)			
Rises			
Diamond Flds	12¾	+	1½
Laidlaw A	11⅝	+	¾
Sotthey SW	35¾	+	1½
Falls			
BMT Ltd	14	-	½
Draco Eb A	12½	-	¼
Enertlex Sys	15	-	¾
PARIS (FFr)			
Rises			
Cred Nat	383.8	+	11.9
Geophysique	328.1	+	18.1
Falls			
BNP	236	-	6
Cap Gemini S	149.5	-	4.5
Cred Lyon	324.8	-	13.7
Fonc Lyon	585	-	20
TOKYO (Yen)			
Rises			
Iseki & Co	382	+	16
Mbishi Mats	489	+	27
Nissan Dsl	496	+	21
Falls			
Aoki Corp	651	-	44
Janome Sew	280	-	13
Kikkoman	760	-	25
BANGKOK (Baht)			
Rises			
Datamat	33.25	+	3.0
Draco PCB	53.5	+	4.75
Utd Fr Mls	60.5	+	5.5
Falls			
Bumrungrd Fd	11.0	-	1.25
Thanakar	64.0	-	7.0
Tongkah	35.0	-	2.25

Hong Kong closed. New York and Toronto prices at 12.30pm.

Fiat on course to make $1bn profit for 1994

By Andrew Hill in Milan

Mr Giovanni Agnelli, Fiat's chairman, yesterday confirmed that the Italian automotive and industrial group, which last year announced the biggest loss in its history, would achieve a spectacular return to profit for 1994.

Figures released by Fiat in Mr Agnelli's annual letter to shareholders indicate that the group will report a profit of some L1,750bn ($1.08bn) before tax for 1994 – slightly better than analysts' expectations – and a recovery from 1993's pre-tax loss of L1,384bn.

Depending on the company's tax burden, the net profit for the year should be between L900bn and L1,000bn, compared with a net loss in 1993 of L1,783bn.

The good results increase the likelihood that Fiat will be able to pay a dividend to shareholders for 1994, having omitted the payout last year for the first time since 1947. But Mr Agnelli did not drop any hints in his letter about dividends. The final decision will be taken by the Fiat board in mid-May, when the 1994 results are finalised.

However, Mr Agnelli said the results showed the success of the group's risky four-point strategy, adopted at the low-point of Fiat's recent history in September 1993, and vindicated, in particular, by the success of the Punto model launched just over a year ago.

The strategy included a commitment to persist with a heavy investment programme, cut costs and launch the biggest rights issue in Italian stock market history. Fiat's ordinary shares fell during 1994 to a low point of less than L4,100. But the gradually emerging good news, the strength of exports and the obvious success of the Punto have prompted a recovery. The shares closed yesterday, ahead of the release of preliminary figures, at L6,585, down L106.

Mr Agnelli added that this was "only the first step in an development process, which is still extremely exacting, given the high level of competitive pressure in all the sectors in which we operate".

Group sales during 1994 should show an increase to L65,500bn, against L54,556bn in 1993. Nearly L33,000bn (L25,049bn) should come from the main Fiat Auto subsidiary. The group said all sectors of Fiat's business – which include agricultural machinery, chemicals, insurance and civil engineering, as well as the best-known automotive operations – had recorded an operating profit in 1994.

Fiat has benefited from the 1992 devaluation of the lira, and its continued weakness since then. But the group pointed out yesterday that the average decline in the lira during 1994 was no more than 4 or 4.5 per cent.

Mr Agnelli attributed Fiat's performance less to overall economic factors than to internal efficiency improvements and the renewal of the group's range of models. He pointed out that the European car market had still not recovered to pre-1993 levels. He welcomed unions' decision to accept a more flexible working week after a stand-off last autumn about introducing modern work practices at southern Italian plants. In 1994, Fiat cut the overall workforce to 248,500 from 260,951 with the help of government-sponsored redundancy and early retirement measures.

Lex, Page 20

Results published early in effort to attract higher bid

Wellcome increases profits to £680m

By Daniel Green in London

Wellcome, the drugs company, yesterday published its full-year results almost a month ahead of schedule, as part of its strategy to attract a better bid than the £9bn ($14bn) offered last week by UK rival Glaxo. Mr John Robb, chairman and chief executive (right), said the results showed that Glaxo's bid was too low.

"These record-breaking results for 1994 show in very clear terms the strength of Wellcome's business and prospects," he said.

"The market should know that we are a well-managed company and that the prices paid in other pharmaceuticals bids were higher," he said. He refused to say whether he had held any talks with potential bidders.

Glaxo responded that the results made no difference to its attempt to buy the company.

Sir Richard Sykes, chief executive, said: "Nothing that Wellcome have said today changes our views. The commercial logic of our bid remains clear."

Analysts agreed with Mr Robb that Wellcome was doing well but with Sir Richard that the results would have little effect.

"The results are good, but they are unlikely to flush out a white knight," said Mr Paul Woodhouse, pharmaceuticals analyst at stockbroker Smith New Court.

Total sales for 1994 were £2.28bn, compared with £2.05bn in 1993. Pre-tax profits were £680m (£640.7m). Earnings per share were 46.5p (46.2p)

There was an exceptional charge of £58m as a result of the establishment of a joint venture with Warner Lambert, the US drugs company, in over-the-counter medicines. Taking into account this charge, and £17m profits in 1993 from discontinued activities, pre-tax profits were £738m (£624m) and earnings per share 52.1p (44.4p).

With these figures, Wellcome completed a move from an August year-end to calendar year reporting. It restated its 1993 results and separately released 16-month figures.

A sharp rise in operating margins from 29.5 per cent to 31.5 per cent was partly the result of cost cutting. The total number of staff fell by 1,250 to 16,390 and research and development spending of £346m was a lower proportion of sales.

Margins were also lifted by higher sales of Wellcome's best-selling drug Zovirax, a herpes treatment. Sales rose by 16 per cent from £742m to £858m thanks largely to rapid growth in the US. But there was a further fall in sales of its number two product, Retrovir (AZT), an Aids treatment, to £206m from £227m.

Mr Robb said the rate of decline in Retrovir sales had slowed and that recent clinical trials of AZT used in combination with 3TC, for which Glaxo has marketing rights, meant sales would begin to grow again. Wellcome shares closed 7p higher at £10.05. Glaxo's offer is worth £10.25.

Lex, Page 16

Deutsche Telekom may place more shares outside Germany

By Michael Lindemann in Frankfurt

Deutsche Telekom, Germany's state-owned carrier which is preparing for a stock exchange listing, said it may place more of its DM15bn ($9.8bn) worth of shares outside Germany because of fears that domestic private investors would not take up their full allotment.

Mr Joachim Kröske, finance director, said plans were under way to make the shares more attractive but noted that the government had refused to offer tax incentives.

Until now Deutsche Telekom said it wanted to place 60 per cent of next year's issue in Germany and the balance abroad.

"The German small investor is the most difficult," said Mr Kröske. "I can imagine that we could shift the ratio in favour of foreign markets."

Mr Kröske also took issue with Mr Wilhelm Pällmann, the acting chief executive, who warned earlier this week that the listing might be postponed unless Deutsche Telekom was told how many licences would be issued for the provision of voice telephone services in Germany after January 1, 1998 when monopolies fall across most of Europe.

"We can't postpone the listing," Mr Kröske said. "That's why we announced it so early so that people could prepare themselves."

He also suggested that Deutsche Telekom's placement in May or June 1996 may be more difficult if other big international issues attract investors' interest beforehand. The 1996 issue would be the first of two – with a second one likely in 1998 – to raise a total of DM30bn.

Mr Kröske hopes to complete negotiations this year with the US Securities and Exchange Commission which would allow the company to submit one simplified set of accounts and sell up to DM4bn of shares in 1996, up to DM2bn more than if the issue was placed only with institutions.

He said only one in 20 Germans owned shares, a proportion far lower than in the US or UK where every fifth person had equity investments.

"It's not entirely clear why, with such a rich middle class, share ownership is so low," he said.

Colgate offsets weak US market with international sales growth

By Tony Jackson in New York

Colgate-Palmolive, the US toothpaste and toiletries manufacturer, produced a 12 per cent rise in earnings to $137m in the fourth quarter, with strong growth in international sales partly offset by continued weakness in the domestic market.

Earnings per share rose 17 per cent to $0.91 for the quarter and by 14 per cent to $3.86 for the year.

Unit volume in the fourth quarter was up 5 per cent, led by Latin America, Asia and Africa. Latin America, where Colgate last month spent $1.04bn on acquiring the toothpaste maker Kolynos, produced 15 per cent sales growth in the quarter, with double-digit volume growth in Brazil, Colombia, Chile and the Dominican Republic. Mexico achieved growth in sales and profits despite the devaluation of the peso, Colgate said.

Sales in North America in the quarter were down 3 per cent. This was described as an improvement from the two previous quarters, as trade de-stocking was winding down.

Colgate said much of its new product development had been concentrated in the latter part of the year and was just starting to affect sales. North America represents around 20 per cent of group turnover, against 25 per cent for Latin America.

Quarterly sales in Asia and Africa rose 16 per cent, reflecting volume growth in existing business, new products, geographic expansion and acquisition. In Europe, sales were up 13 per cent, partly due to acquisition and dollar weakness. While sales rose significantly in France, Italy, the UK and Spain, German sales were up only slightly.

The Hill's pet food business, which accounts for 10 per cent of group turnover, lifted sales 15 per cent in the quarter, after double-digit volume growth.

For the full year, sales rose 6 per cent to $7.6bn, on volume up 7 per cent. Products launched during the past five years accounted for $2bn, or 26 per cent of the total.

Gross margin rose from 47.8 per cent to 48.4 per cent. Net income for the year was $565m before special charges, an increase of 7 per cent.

UK investors willing to countenance change in system

Even winners find fixed underwriting fees hard to defend

Institutional investors, traditionally the staunchest defenders of Britain's system of underwriting share issues, now appear to be contemplating the prospect of change with equanimity. For more than 30 years, underwriting fees in London have been fixed at 2 per cent of the capital raised, of which 1¼ per cent goes to the institutions, acting as sub-underwriters.

The Office of Fair Trading is to ask the Monopolies and Mergers Commission to investigate whether these fees are excessive. The UK Treasury supports the move because of concerns that companies face an unnecessarily high cost of capital.

The finance director of one FT-SE 100 company said yesterday: "It is long overdue. Underwriting fees are much too high considering the risks taken on and the fixed fee structure means that financially strong companies subsidise the weak."

If such corporate reaction to the imminent investigation was predictably favourable, the response of institutions was rather more surprising. They are the main beneficiaries of the underwriting system and in the past have resisted attempts to change it. Yet the Institutional Fund Managers' Association (IFMA), the trade body for institutional investors, said it was not concerned about an investigation into underwriting fees.

It has also echoed the worries of the OFT that the underwriting system gives rise to potential conflicts of interest for merchant banks. This is because they act both as companies' financial advisers and lead underwriters.

Sir Bryan Carsberg, director-general of fair trading, has pointed out that deeply discounted rights issues, which do not require underwriting, are extremely rare.

Mr Richard Weir, director-general of IFMA, said: "We feel that in many cases, companies are advised to issue underwritten offerings when a deep discounted issue would be better."

He added that the association's main concern was that "any changes which may follow the Commission's report should not threaten the pre-emptive rights of existing shareholders". Some observers believe, however, that there will be increasing pressure on pre-emption rights, which give existing shareholders the right of first refusal on any new equity offerings by a company.

Mr Paul Manduca, managing director of Threadneedle Asset Management, with £30bn under management, said that while institutions were anxious to preserve their pre-emption rights it was clear there was a cost to companies. "The companies are paying a high price for pre-emption." The proposed MMC investigation into underwriting also received support from some stockbrokers who believe they are unfairly treated under the current system, which gives them ¼ per cent of the capital raised and the lead underwriter ½ per cent.

'The lead underwriter does very little and in practice takes on virtually no risk'

Stockbrokers, and client companies, argue that the split between the brokers and lead underwriters does not reflect the work done and the risk assumed. The finance director of a large industrial group said: "It is the brokers that do most of the work, arranging the sub-underwriting and to all intents and purposes setting the price. The lead underwriter does very little and in practice takes on virtually no risk." The head of a leading independent stockbroker predicted that any move to free up the underwriting fee structure would accelerate consolidation among City of London firms. "It is the distribution provided by brokers that really counts in a rights issue. If the fee system changes the merchant banks will either have to buy distribution or grow their own."

But independent merchant banks, represented by the London Investment Banking Association, believe there is no case for a reference to the MMC.

Mr Anthony Beevor, a director of Hambros Bank and chairman of LIBA, said: "I don't think the London market does its client companies too badly. You can raise a lot of money quickly, confidentially and cheaply."

LIBA argues that the costs of raising equity in London are lower than in the US.

It is true that fees charged in the US are generally higher. But because rights issues shares are priced at a discount, and companies tend not to adjust their dividends down to take this into account, the total cost of capital is arguably higher in the UK.

It is often suggested that because the benefit of the discount goes to shareholders it is not a real cost to the company. However, it still increases UK companies' cost of capital relative to international competitors, a fact that worries the Treasury.

David Wighton and Norma Cohen

INTERNATIONAL COMPANIES AND FINANCE

Nordbanken sell-off plan outlined

By Hugh Carnegy in Stockholm

Sweden's Social Democrat government plans to sell off 100 per cent of Nordbanken, the biggest casualty of the 1992 banking crisis. However, it has postponed any part of the bank's sale until the second half of the year because of uncertain market conditions.

Finance minister Mr Göran Persson said the government favoured returning to the private sector the whole of Nordbanken, estimated to be worth about SKr20bn ($2.7bn).

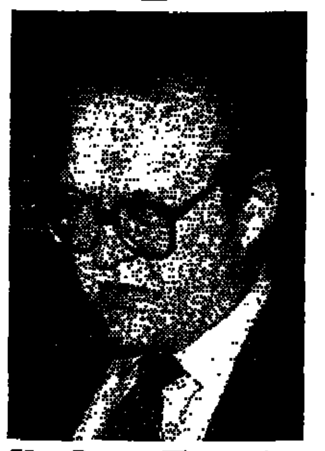
The minister wants the proceeds to fund a job creation programme, included in last month's budget, without further deepening the budget deficit.

However, Mr Persson quashed speculation that privatisation would begin as early as next month. "There would have been interest, but we can get a better price if we wait," he said.

Citing recent stock market instability – prompted by events such as the Mexican currency crisis and public finance crises in Italy, Spain and Sweden itself – he said bank shares were "ice cold".

The minister said the bank was too large to be sold off at one time, but did not give details of how the privatisation might be carried out. He re-issued a welcome to foreigners to participate.

A senior finance ministry official said the government had "no ideological objection" to Nordbanken coming under foreign control, although he doubted any single foreign buyer would be prepared to pay for a majority stake.



Göran Persson: 'We can get a better price if we wait'

Nordbanken has about a 25 per cent share of the Swedish market following its takeover a year ago of Gota Bank, the other principal casualty of the loan-loss crisis which crippled the banks in late-1992. Together, Nordbanken and Gota Bank took most of the SKr60bn which the government provided to rescue the banking system from the losses, incurred chiefly in overheated Swedish and other European property markets.

The rescue operation allowed Nordbanken to bounce back to profit last year. Including Gota Bank, it made an operating profit of SKr3.4bn in the first nine months of 1994, after lower loan losses.

Mr Persson said the decision not to go ahead immediately with privatisation meant it would almost certainly have to wait until Swedbank, constructed during the crisis from the country's savings banks, had completed its planned stock market listing in June.

He denied some suggestions that part of Nordbanken would be hived off to the post office before privatisation.

KLM surges five-fold in third term

By Ronald van de Krol in Amsterdam

Improved economic conditions and a related rise in passenger numbers helped net profit at KLM, the Dutch airline, soar five-fold in the third quarter.

Net profit in the three months to December 31 surged to Fl 83m ($49m) from Fl 15m in the same quarter of 1993-94. The rise takes net profit for the first nine months of the 1994-95 financial year to Fl 559m, more than double the Fl 260m of the corresponding period of last year.

Traffic, measured in tonne-kilometres, rose 11 per cent in the October-December period, with double-digit growth on routes to South America, eastern Asia, Africa and the Middle East. By contrast, traffic to North America rose 4.6 per cent. To the rest of Europe, it was up by 8.9 per cent.

The airline also reported a strong rise in business-class customers.

In spite of the traffic increases, yields for both passengers and cargo were down 3 per cent, reflecting mainly currency movements, particularly the decline of the dollar.

KLM expects to make a loss in the fourth quarter ending March 31, as is typical in the slacker winter period. However, the loss will be "substantially" lower than the Fl 156m deficit posted in the final quarter of last year.

The increase in the third quarter would have been even stronger but for a provision of Fl 43m for deferred taxation. KLM is still benefiting from carry-forward losses, which means it has not yet resumed paying corporate tax, but the prospect of tax payments is growing because of its strong financial recovery.

Other factors behind the third-quarter rise were cost-cutting, the airline's "holiday" from paying premiums to its pension funds, and its alliance with Northwest Airlines of the US.

The 21-month pension-premium holiday, which yielded savings of Fl 72m in the third quarter, ended on December 31. Extending the holiday is under discussion as part of KLM's negotiations with unions on a new collective labour agreement.

Aircraft sales help boost profit at Swissair

By Ian Rodger in Zurich

Swissair, the quoted Swiss airline which is in negotiations to buy a large minority stake in Belgium's Sabena airline, has posted a small consolidated profit in 1994.

The group said in a preliminary statement that, with significant contributions from its Crossair regional airline and other subsidiaries, its total revenues increased. Substantial aircraft sales again helped boost profits, as did cost-cutting.

In 1993, the group recorded net income of SFr59m ($45.9m), down 48 per cent. That figure included profits of SFr181m from aircraft sales.

The airline itself enjoyed "substantial improvements" in traffic volume, load factors and employee productivity in 1994, the group said. However, flight operations incurred a fifth consecutive loss because of continuing declines in revenue per customer and the strength of the Swiss franc against other currencies.

Swissair said it had been undeterred from taking a large minority stake in Sabena by the Belgian government's refusal to allow Sabena to pay its pilots in Luxembourg.

Sabena's management had planned the pay move to reduce costs and improve pilots' earnings. However, the Belgian government said such a scheme to evade the country's heavy social security payments was unacceptable.

Swissair said its negotiations with Sabena until now had assumed that the transfer of pilots to Luxembourg would go ahead. It now had to find alternative cost-savings. "But there is no question of us reconsidering our position or pulling out," the airline said.

Swissair has been aggressively seeking partners to overcome the disadvantages arising from its relatively modest size, and from having its home base outside the European Union. As Switzerland is not an EU member, Swissair cannot participate in the EU's planned open skies regime. A close association with Sabena could resolve both problems.

JP Morgan to shed 110 jobs in City of London

By Nicholas Denton in London

J. P. Morgan, the US bank, has begun to shed about 110 jobs from its London operations as part of an international effort to cut costs.

The action, which will be spread over two months, represents a reduction of 5 per cent in the bank's staff of 2,200 in the City of London.

The retrenchment takes to 750 the number of known job losses in the City since US and UK interest rates began to rise late last year.

The cuts are exceeded only by the 180 at S. G. Warburg's bond and other fixed-income operations, and 230 at Goldman Sachs.

J. P. Morgan will continue to operate in all significant business areas, and said yesterday the cuts would be distributed across all sectors. "No one business area is being singled out," it said.

Departments dealing with mergers and acquisitions and with derivatives are expected survive the cost-reduction programme less affected than others. J. P. Morgan has mounted a strong push into the M&A market in Europe and has won market share, and its derivatives operation is one of the market leaders.

The job cuts are part of a worldwide effort by the bank to trim costs by 10 per cent. The plan emerged with the leak of an internal memorandum to staff. It came in response a 29 per cent fall in profits in 1994, to $1.22bn.

J. P. Morgan is primarily looking to cut spending on services it buys from outside normal operations, but it is still expected to reduce staff worldwide by 6 per cent from its December level of 17,000.

"Costs are the target, but people will be affected because people are a significant part of our cost base," it said. Employees are estimated to be responsible for about two-thirds of total costs.

J. P. Morgan is partially correcting a sharp increase in costs which came with the addition of nearly 2,000 employees in 1994.

Virgin and Delta Air win US approval for alliance

By Michael Skapinker, Aerospace Correspondent

Virgin Atlantic Airways of the UK and Delta Air Lines of the US yesterday won US government approval for their proposed code-sharing agreement.

The airlines announced the agreement in April last year, but the US Department of Transportation initially withheld agreement. Following yesterday's approval of their accord, the two airlines said they would launch their alliance as soon as operational matters had been settled.

Under the agreement, Delta will purchase a designated number of seats on Virgin flights, which it will price, market and sell independently.

The flights will carry both Delta and Virgin flight numbers on routes between London and Los Angeles, Newark, New York, Orlando, Miami, San Francisco and Boston.

The agreement gives Virgin the possibility of offering its customers flights to a wider range of US destinations. Delta gains access to London's Heathrow airport for the first time. Delta flights into London currently go to Gatwick airport. The airline says, however, that a substantial proportion of its customers ask to fly to Heathrow.

Mr Richard Branson, Virgin Atlantic chairman, said the agreement would also give Virgin passengers access to Delta's frequent-flyer programme.

He said the agreement with Delta would enable Virgin to compete more effectively against British Airways, which he describes as his principal competitor. Mr Branson said he believed that Delta offered superior service to USAir, the airline in which BA has a 22 per cent stake.

Approval of the Virgin-Delta deal appeared to have been held up because of difficulties in reaching agreement on a fresh aviation treaty between the UK and the US governments.

The US government walked out of negotiations between the two countries in 1993 after the UK refused to grant immediate access to all US carriers to Heathrow.

Last October, Dr Brian Mawhinney, the UK transport secretary, attempted to revive talks with the US by lifting all restrictions on transatlantic flights to regional airports. Dr Mawhinney described the move as "the most sweeping unilateral liberalisation move in the history of transatlantic aviation".

However, US airlines said that access to Heathrow remained the most important issue.

Ambroveneto shares climb 10% amid bid speculation

By Andrew Hill in Milan

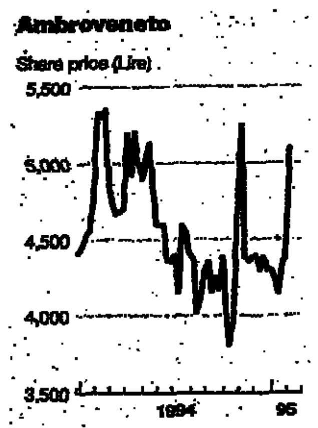
Shares in Banco Ambrosiano Veneto, the Italian bank, rose nearly 10 per cent yesterday in heavy trading, as investors searched for the next bid target in the restructuring of the Italian banking sector.

The shares closed at L5,087, against an opening price of L4,628. The price had already risen by more than 6 per cent on Wednesday.

At one point yesterday the stock was up 13 per cent on the day, and Italian stock exchange authorities briefly had to suspend trading.

The bank said yesterday it could not explain the strong interest in the stock, which comes just as Credito Italiano (Credit) is poised to declare victory in its bid for control of Credito Romagnolo (Rolo) of Bologna.

The battle for Rolo started in October, when Credit offered L19,000 a share for a majority stake. It only won over shareholders when it increased the offer to L22,000 a share.



Source: FT Graphite

Ambroveneto's shares, meanwhile, have stayed well below L7,000, the price which Credit's rival Banca Commerciale Italiana (BCI) was prepared to pay when it made a short-lived and unsuccessful attempt to take control of Ambroveneto last November.

Analysts said one explanation for the price rise was the revaluation of all possible bid targets in the Italian banking sector.

Ambroveneto is still considered to be under threat, even though its main shareholders are linked by a defensive pact which commits them to sell shares first to other pact members before offering them elsewhere.

This week's decision to extend the deadline for renewing the pact until January 1996 has fuelled speculation that the big shareholders are not fully committed to Ambroveneto.

However, the bank yesterday played down the significance of the move. "[The shareholders] have agreed to renew the pact, but in the mean time they have extended the deadline [for renewal], rather than letting it automatically lapse on January 30," the bank said.

Ambroveneto's largest shareholders are Turin's powerful San Paolo banking group and Crédit Agricole of France, each with 19.39 per cent.

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INTERNATIONAL COMPANIES AND FINANCE

ITT profit jumps 12% to top $1bn

By Richard Waters in New York

ITT, the US conglomerate which is shedding much of its financial services business in favour of investing in the leisure and entertainment industries, said after-tax profits jumped 12 per cent to top $1bn last year.

The figures reflected growth in each of its three business areas, as well as the acquisition of General Motors' electric motors business during the year.

A 39 per cent increase in fourth-quarter net income, to $305m, beat market expectations and pushed the company's shares up $2 to $91 during morning trading.

ITT Hartford, the group's insurance subsidiary, registered a 13 per cent rise in earnings during the year to $811m, on revenues of $11.1bn. The figures were buoyed by a 17 per cent rise in fourth-quarter earnings, to $212m, and an improvement in underwriting on the property/casualty side.

The combined ratio fell to 100.7 per cent in the latest quarter, from 105.5 per cent a year earlier.

Earnings from manufacturing operations climbed 63 per cent during 1994 to $508m as profits in the automotive business doubled to $161m.

Leaving aside the acquisition from General Motors, the automotive business's operating income would have risen 41 per cent, and sales would have been 14 per cent higher.

The third leg of ITT's operations – hotels, gaming and information services – recorded a 31 per cent rise in earnings, to $316m.

Earnings from the financial services businesses to be sold were accounted for as a discontinued operation. These fell to $181m during the year, from $302m the year before, though fourth-quarter earnings rose $20m to $63.

Earnings per share for the fourth quarter were $2.50, up from $1.67 a share the year before. For the full year, ITT reported net income of $1.02bn, or $8.02 a share, compared with $913m, or $6.90 in 1993.

Record results for WR Grace

By Tony Jackson

W.R. Grace, the US speciality chemicals manufacturer, produced a 21 per cent rise in operating earnings for the fourth quarter to $103m, or $1.10 a share.

Earnings per share for the full year were up 18 per cent at $3.01, compared with a record $3.79 in 1981.

Pre-tax earnings from speciality chemicals were up 36 per cent in the quarter to $129m, with higher volume in packaging chemicals in North America and in paper process chemicals in Europe.

Pre-tax profits in healthcare, where the company specialises in kidney dialysis, were up 37 per cent to $81m.

In the full year, sales were 16 per cent higher at $5.1bn.

After special charges in both years, earnings per share were 88 cents against 28 cents.

There was a net provision of $200m last year for reduced asbestos insurance, compared with $100m the year before.

The company said increased spending on capital investment and acquisitions in the final quarter was more than offset by divestitures. Total debt at the year end was $1.5bn compared with $1.7bn the year before.

Avon Products' earnings per share at highest for 15 years

By Tony Jackson in New York

Avon Products, the door-to-door beauty products company, raised its net income in the fourth quarter by 5 per cent to $110m, or $1.59 a share.

Profits were higher in North and South America, but lower in Europe and the Pacific region.

In the full year, earnings per share year rose 14 per cent to $3.75, the highest figure since 1980.

US sales in the final quarter were up 9 per cent, with pre-tax profits up 25 per cent. International sales and profits were up 16 per cent, with profits up strongly in Latin America, particularly Brazil.

The company said profits in the Pacific region were lower because of heavy investment, whereas its European business had not yet recovered from depressed levels.

In the full year, net income from continuing operations, before accounting changes, rose 12 per cent to $265m.

Mr James Preston, chairman, said pre-tax profits for the year in the US were up 32 per cent to their highest level in more than a decade. This showed that Avon's direct sales could produce significant growth in an established market as well as in developing countries, he said.

International sales rose 12 per cent in the year, and pre-tax profits by 11 per cent. Profits were up in the Americas and flat in the Pacific region. In Europe sales held steady but profits declined sharply, the company said.

Avon's shares rose $1⅛ to $56⅞ in early trading.

Rubbermaid boosts sales 20%

By Lisa Bransten in New York

Rubbermaid, the US manufacturer of rubber and plastic products, reported 20 per cent sales growth for the fourth quarter of 1994, but profit growth was restrained by the rising cost of raw materials.

While sales jumped to $566m in the last quarter from $472m for the same period in 1993, profits rose only 7 per cent to $55m.

Mr Richard Gates, senior vice-president for business development, attributed much of the sales increase to global expansion and said he expected the company to continue look internationally to keep sales up. Currently, 15 per cent of the company's sales come from outside of the US.

The market reacted positively, with Rubbermaid's shares up $1¼ at $31½.

The company does not see an immediate reversal of the profit squeeze caused by rising raw materials, although it implemented a price increase at the beginning of the fourth quarter, said Mr Gates.

He added that the company was continuing negotiations with retailers in an effort to keep prices in line with costs. So far price increases of 4 to 6 per cent have been achieved.

The decision not to scale back marketing expenditures also put pressure on profits.

Earnings per share for the final three months of 1994 rose to 34 cents from 32 cents the year before. Full-year net income reached $228m, or $1.42 a share, up from $211m, or $1.32, in 1993.

Investment banking side puts Salomon in the red

By Maggie Urry in New York

Mr Robert Denham, chief executive of Salomon, could hardly have denied that 1994 earnings were "unsatisfactory". The group's Salomon Brothers investment banking business lost $636m before tax in the year from client-driven business and another $49m from proprietary trading.

That led to a net loss for the group of $122m in the final quarter, compared with net income of $476m in the 1993 last quarter, and a loss for the year of $364m, compared with income of $827m.

Salomon Brothers was not alone in finding securities trading tough in 1994. Underwriting volumes were sharply down, with Salomon running the books on $57.1bn of domestic public issues in 1994 compared with $90.9bn in 1993.

But the most embarrassing part is the $217m pre-tax provision Salomon Brothers has had to take to resolve years of accounting errors. These stem from differences between the group's general ledger accounts and subsidiary accounts, for which Salomon blamed poor systems. They were exacerbated by the huge growth in business volume in 1992 and 1993 and, in London, by foreign exchange translation with the group dealing in 40 different currencies.

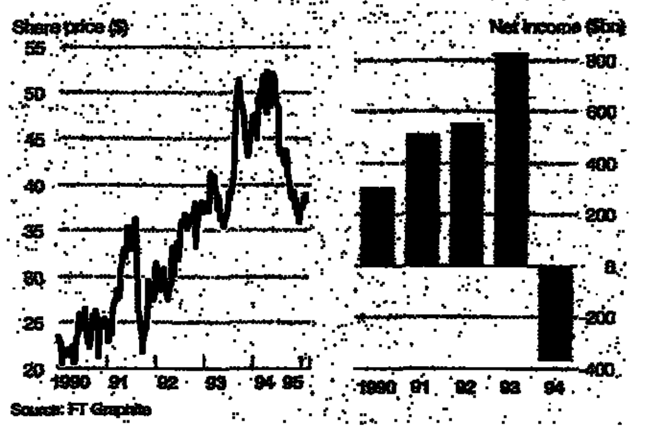
While every securities firm's back office sometimes has problems matching up balances, these are normally insignificant. Indeed, Salomon has made provisions before, including a $87m pre-tax charge against its US operations in 1993 and charges totalling $100m since 1992 relating to swap activities. However, Salomon said the charges, although large in total, were never significant in the quarters to which they related.

It is the size of the provision made against fourth-quarter 1994 profits which forced the disclosure – and even surprised Salomon, which had said last November said charges would be taken but would not be significant.

Salomon typically runs two sets of books for each line of the accounts; for example, it would monitor its inventory through a ledger account and a set of subsidiary accounts.

Although the same transactions would be the starting point for the numbers in each account, the information would arrive by different routes. In the process, differences could be thrown up, for example if the numbers have been aggregated in one account but not in another.

Salomon Brothers



Source: FT Graphite

The stock market appeared to accept the promise that the problems would not recur, and at midday in New York the shares were up $⅛ at $37⅞.

Browning Ferris income 51% higher

By Richard Waters

Browning-Ferris, the US waste disposal group which last month bought Attwoods in the UK, registered a 51 per cent jump in net income in the first quarter to the end of December.

Higher volumes and prices, together with the beneficial impact of acquisitions, pushed the company's operating profit margin up to 13.8 per cent during the period, from 11.6 per cent the year before.

Net income for the period reached $89.6m, or 45 cents a share, compared with $59m, or 34 cents, a year earlier. The results exceeded expectations and pushed the shares up $1⅛ to $32⅞ in early trading.

Browning-Ferris' revenues for the period climbed 39 per cent to $1.3bn, with 25 percentage points of the growth coming from acquisitions.

The company said its business, leaving aside acquisitions, had benefited particularly from improved profitability in landfill and recycling operations, both in the US and internationally.

GTE expands in wireless telephony

GTE, the largest regional US phone company, announced separate deals in wireless telephony yesterday with Deutsche Telekom and IBM, writes Tony Jackson.

Through the Deutsche Telekom agreement, US mobile phone subscribers travelling in Europe will be able to call North America from a European-standard mobile phone, and vice-versa.

The IBM deal gives corporate mobile phone customers access to IBM's so-called Global Network.

Textron maintains growth

By Tony Jackson

Textron, the diversified US industrial and financial company which makes Cessna aircraft and Bell helicopters, produced its 21st consecutive quarter of year-on-year earnings growth and promised double-digit growth in earnings per share in the current year.

Earnings in the fourth quarter rose 10 per cent to $112m, while earnings per share rose 12 per cent to $1.26 for the quarter and by 14 per cent to $4.80 for the year.

The strongest performance came in the automotive division, with operating income for the year was up 45 per cent to $139m on sales up 28 per cent at $1.2bn.

Aircraft profits rose 10 per cent to $194m, with both Bell and Cessna reporting higher profits and order books. Profits in the industrial division rose 34 per cent to $142m, and in systems and components fell 21 per cent to $99m.

Profits from financial services for the year were up 15 per cent at $331m, reflecting a higher level of finance receivables.

However, profits from the Paul Revere insurance business were down 10 per cent at $131m due to higher payouts on disability insurance.

Net earnings for the full year were $433m on sales up 7 per cent at $9.7bn. Return on equity in the year rose from 14.4 per cent to 15.1 per cent, while the debt to capital ratio fell from 42 per cent to 35 per cent.

NEWS DIGEST

French bourse to liberalise rules for small trades

The French stock market plans to liberalise the regulations for small trades in its most liquid stocks by this summer, officials confirmed yesterday, writes Andrew Jack in Paris.

The Société des Bourses Françaises (SBF), the operator of the French market, is to remove the minimum quantities of stocks shareholders are permitted to buy and sell at any one time without penalties.

The change reflects the fact that small transactions can be carried out more easily using computerised systems and growing pressure from shareholders.

Under the present system operating on the main monthly settlement market, shareholders selling small blocks of shares are required to pay an additional commission. The minimum block has normally been worth about FFr15,000-FFr20,000 ($2,841-$3,795).

The SBF set up an experiment last summer to remove the minimum threshold on the shares of 15 large French quoted companies so that shareholders could trade as little as a single share and pay only a percentage commission on that share.

In order to test whether the electronic trading and settlement systems can cope, it added a further three quoted companies in November and another four last month.

Among the latest was Paribas, the banking group, which announced yesterday that shareholders could trade in single shares where previously they had to trade in blocks of 25 shares to avoid penalties.

SBF will make a final decision before the summer, after which all companies on the monthly settlement market – numbering 266 – are set to participate.

Turnover at UAP rises 7% to FFr152bn

Union des Assurances de Paris, the French insurance group which was privatised last year, yesterday reported estimated turnover up 7 per cent to FFr152bn ($28.8m) in the year to December 31 1994, writes Andrew Jack.

Life assurance premiums, however, rose modestly by 1.6 per cent to FFr75.2bn, which the group attributed to a decline in turnover from the UK.

Its non-life income advanced 13.2 per cent to FFr76.4bn, largely due to consolidation of its Vinci and CKAG subsidiaries. UAP France reported a 5.9 per cent increase in turnover to FFr82.1bn. France accounted for 36 per cent of total income.

Sun Life, the British insurer which it controls, reported a decline in income of 16.4 per cent to FFr19.3bn.

Implant charges keep Dow Corning in the red

A $241m pre-tax charge to cover higher than expected costs from breast implant settlements pushed Dow Corning, the US-based joint venture between Dow Chemical and Corning, to a $6.8m after-tax loss in 1994, writes Richard Waters in New York. After-tax losses in 1993 were $287m.

The previously-announced quarterly charge, amounting to $152m after tax, led to a fourth-quarter loss of $119m, compared with a loss of $384m in the year-ago period after charges.

Sales for the year rose nearly 8 per cent, to $2.2bn, while net profits (before charges) increased 13 per cent, to $145m.

Mr Richard Hazelton, chairman and chief executive, said that higher raw material prices in the latter part of 1994 had hurt profits, as well as higher fixed costs.

This year "should begin to see the positive effects" of price rises to offset the higher costs of materials, the company added.

Fletcher Challenge close to settling mill strike

Fletcher Challenge Canada has reached a tentative settlement with two trade unions which could result in the return of nearly 1m tonnes of newsprint capacity to tight international markets within a week, writes Robert Gibbens.

The forest products group's three mills in British Columbia were shut down on December 23 when the unions rejected a company offer and walked out.

The settlement includes a 9 per cent pay increase over three years, against the original company offer of 6 per cent.

● Stone-Consolidated, with mills in eastern Canada and controlled by Chicago's Stone Container, posted fourth-quarter net profit of C$14.9m, against a net loss of C$21.7m a year earlier on sales of C$311m, up from C$244m. The figures include the Bridgwater mill in the UK.

For the full year, the loss was reduced to C$7.8m, or 12 cents, from C$63.7m in 1993.

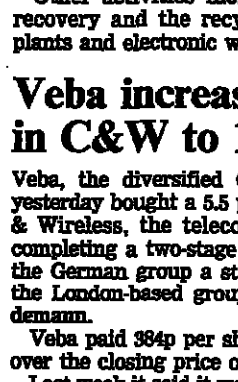
● Slocan, a western pulp and wood products group subject to a takeover bid from Canfor, recorded fourth-quarter profit of C$36.5m, or 96 cents, including a special item, on sales of C$205m, against C$141m.

Excluding the special item, profit equalled 82 cents a share, up 50 per cent on a year earlier.

For all of 1994 profit was up 59 per cent to C$97.7m, or C$2.56, on revenues of C$728m, a rise of 56 per cent.

Petro-Canada annual earnings jump 64%

Petro-Canada



Source: FT Graphite

Petro-Canada, one of the country's two biggest integrated oil companies, posted a 64 per cent jump in earnings for 1994, lifted by higher upstream prices, rising productivity and better refining and marketing results, writes Robert Gibbens in Montreal. Net profit for the year was C$262m (US$187m), or C$1.06 a share, up from C$160m, or 65 cents, a year earlier on revenues of C$4.7bn, against C$4.6bn.

Fourth-quarter profit was C$54m or 22 cents, against C$35m or 14 cents on revenues little changed at C$1.2bn.

Petro-Canada, which has retrenched by reducing its downstream network by one third, does not expect the present natural gas surplus in western Canada to persist for long.

It will spend about C$900m on capital projects in 1995, including C$230m for the Hibernia offshore oil project in Atlantic Canada. It still hopes to sell part of its 25 per cent interest in Hibernia.

Thyssen, Viag merge environmental divisions

Thyssen and Viag, two of Germany's biggest industrial conglomerates, will merge their environmental services divisions to create a new company with sales of DM2.7bn ($1.8m), writes Michael Lindemann in Bonn.

The venture will bring together the two groups' traditional strengths in steel recycling and alloy trading. "We complement each other very well," said Thyssen Handelsunion (THU), the trading and services subsidiary of the steel-based group.

THU will hold 80 per cent of the new company while the remainder will belong to Klöckner, the trading arm of Viag.

The new company, called Thyssen Klöckner Recycling, will employ about 2,500 people.

Thyssen Sonnenberg, the Thyssen unit which will form the joint venture, reported gross profits of DM24m last year on sales of DM1.6bn.

More than DM1bn of the sales came from steel recycling, a business which until late last year had been badly hit by a slump in steel prices.

Other activities include metallurgy, land recovery and the recycling of refrigeration plants and electronic waste.

Veba increases stake in C&W to 10.5%

Veba, the diversified German conglomerate, yesterday bought a 5.5 per cent stake in Cable & Wireless, the telecommunications group, completing a two-stage operation which gives the German group a stake of 10.5 per cent in the London-based group, writes Michael Lindemann.

Veba paid 384p per share, a premium of 12p over the closing price on Wednesday.

Last week it said it would be prepared to pay a maximum price of 435p for shares in C&W until July 26, that will be six months after a telecommunications alliance was announced with C&W.

When the alliance was unveiled last week Veba bought a 5 per cent stake for 395p per share. The average price for the whole share packet was just under 390p, Veba said.

In return, C&W said it would take a 45 per cent stake in Vebacom, the group's telecommunications subsidiary. A price is expected to be announced next month.

Amgen revenues improve 21%

By Richard Waters in New York

Amgen, the biggest US biotechnology company, recorded 21 per cent growth in revenues for the final three months of last year, though reported earnings for the period were all but wiped out by a previously announced charge on the acquisition of Synergen, another biotech company.

In the final quarter, the California-based company's biggest product, Neupogen, recorded an 18 per cent increase in sales to $220.5m, lifting full-year sales to $829m.

The fastest growth during the year came outside the US, where sales grew 22 per cent to $212m.

The company's second product, Epogen, saw sales increase by 20 per cent in the period to $193m, with sales for 1994 as a whole reaching $721m.

Revenues from royalty agreements and other sources rose 60 per cent, to $29.3m.

The latest figures reinforced company claims that greater market penetration and extended applications for the two products would enable them to continue rapid growth.

Reported profits were held back by a $116m pre-tax write-off of technology acquired in the $240m purchase of Synergen.

Leaving aside this charge, after-tax profits rose to $121m in the fourth quarter, up from $91m a year before, and reached $436m for the year as a whole, compared with $383m in 1993.

After the charge, reported net income was $4.8m, or 3 cents a share, in the fourth quarter and $319m, or $2.27 a share, for the year as a whole.

Ice-hockey strike hits Molson

Profits at Molson Breweries of Canada have been hit by the long-running strike by the country's ice-hockey players, AP-DJ reports from Toronto. The company reported third-quarter net income of C$33.5m (US$24.14m), after a C$5.2m charge, compared with year-earlier net of C$38.2m.

The charge in the latest quarter, ended January 1, was for the cost of the National Hockey League dispute, which started last August. Third-quarter revenue was C$507.2m, compared with C$515m.

For the nine months, net income was C$162.6m, compared with C$162.1m, and revenue was C$1.70bn against C$1.68bn.

The company said net income in the latest quarter was also affected by growth in the discount beer category in Quebec, and increased operating costs, which were offset by the effect of consumer price increases and non-operating income. Industry volume for the third quarter rose 1.3 per cent. However, volume at Molson Breweries was hurt by the loss of National Hockey League broadcasts and sponsorship during the quarter, and fell 1.2 per cent.

For the nine months, the brewery's volume rose 0.2 per cent compared with a 1.1 per cent increase in industry volume. Molson said it maintained its leadership in the Canadian brewing industry.

Core of domestic holders sought for Telefónica

By Tom Burns in Madrid

The Spanish government is planning to take a leaf out of the French privatisation book by offering part of its equity in Telefónica, the telecommunications company, to a core of domestic shareholders.

Mr Narcís Serra, deputy prime minister, and Mr Pedro Solbes, finance minister, yesterday put the project to the chairmen of Argentaria, the government-controlled banking group, of Banco Bilbao Vizcaya (BBV), the retail bank, and of La Caixa, the Barcelona-based savings bank which is Spain's biggest financial institution.

Government officials said the initial idea was for the three institutions to buy about one-third of the 32 per cent shareholding in Telefónica that is owned by Patrimonio del Estado, the portfolio company controlled by the finance ministry. Ten per cent of the telecommunications company is worth about Pta150bn ($1.4bn).

The plan represents a reversal of previous policy over the state's ownership of Telefónica and is believed to have irritated Mr José Borrell, the transport and communications minister, who opposes any dilution of the government's equity in the company. Mr Borrell sets telephone tariffs and is responsible for the deregulation of the domestic telecommunications sector.

Narcís Serra: presented project which reverses earlier policy

Argentaria, under Mr Francisco Luzón, chairman, earlier this week acquired an option to buy up to 10 per cent of Telefónica's cellular division and expressed an interest in buying into the parent company to become one of its leading institutional shareholders.

Similar willingness has been signalled by both La Caixa, which already owns just over 3 per cent of Telefónica, and by BBV, which recently failed in its bid to acquire a second cellular licence to compete with the one that will be installed by Telefónica.

BBV and Argentaria own some 2 per cent each of the telecommunications company and, like La Caixa, are represented on its board.

The decision to allow the three institutions to build up their stakes in Telefónica mirrors the French government's policy of balancing its privatisation of groups such as Elf-Aquitaine and Banque National de Paris, with selected equity placements among companies brought together to form a stable "shareholders' club".

The Spanish move has been principally dictated by an urgent need to trim the budget deficit and by the prospect that depressed market conditions are likely to delay indefinitely global offerings of government-owned equity in Endesa, the electrical utility, in Repsol, the energy group, and in Argentaria itself, which is 52 per cent owned by the Patrimonio del Estado.

The likelihood of a change in Telefónica's equity structure could delay a long-awaited purchase of part of Tisa, the company's international division, by GTE, the US operator.

Officials said it would be logical to settle first the core shareholding in the parent company before finalising negotiations over Tisa with GTE.

Long and tortuous road to profitability

Japan's petrochemicals industry is bidding for survival, writes Michiyo Nakamoto

The move this week by two Japanese petrochemicals makers, Showa Denko and Nippon Petrochemicals, to integrate substantial parts of their synthetic resins business, was a bid for survival in the face of tough competition.

The decision also marks a significant step on the path to consolidation in the Japanese petrochemicals industry which has suffered from overcapacity, a shift of customers to overseas production and weak prices.

The two companies are to merge their polyethylene and polypropylene businesses this autumn to create one of the largest synthetic resins manufacturers in the country.

"It is a drastic step taken in order to survive when competition both at home and overseas is fierce," commented Mr Masahiko Furukawa, chairman of the Japan Petrochemical Industry Association.

He also regarded it as "a direction for the future state of the industry".

The newly created company's manufacturing capacity of 320,000 tonnes puts it in the top rank among Japanese manufacturers in the production of polyethylene, used to make products such as packaging film and fuel tanks.

The merger will also create a company which will compete for the top slot in manufacturing capacity for polypropylene with Mitsubishi Chemical, Japan's largest all-round chemical manufacturer. Polypropylene is used to make a range of products, including bottles, film and textiles.

Last October two Mitsubishi companies, Mitsubishi Kasei and Mitsubishi Petrochemical, merged to create Mitsubishi Chemical, the largest in Japan and the eighth largest worldwide.

The industry, where 11 manufacturers compete for the market in ethylene products and more than 10 produce petrochemicals in general, is poised for further consolidation.

A reduction in the number of companies in Japan's petrochemicals industry has long been seen as critical if the industry is to return to health.

Japanese ethylene production

	Production (m tonnes)	Production capacity	Utilisation (%)
1988	5.07	5.29	95.8
1989	5.60	5.80	96.6
1990	5.81	6.12	94.9
1991	6.14	6.42	95.6
1992	6.10	6.77	90.1
1993	5.77	6.77	85.2
1994*	6.03	6.79	89.9
1995*	6.38	7.40	86.2
1996*	6.70	7.40	90.5

*estimate Source: James Capel

After a market surge in the late 1980s when the Japanese economy was boosted by inflated asset prices, petrochemical manufacturers increased capacity significantly, only to be faced with overcapacity when the asset bubble burst.

For example, ethylene production capacity rose from 5.29m tonnes in 1988 to an estimated 6.79m tonnes last year, according to research by James Capel.

Then, when the Japanese economy went into recession demand for petrochemicals slumped and customers in industries ranging from vehicles to electronics became increasingly price-sensitive.

This reduced capacity utilisation from a peak of 96.6 per cent in 1989 to under 90 per cent last year, James Capel notes.

While overall demand for petrochemicals has firmed, strengthened by export demand and a moderate recovery in the domestic market, supply is also increasing. Analysts, therefore, do not expect capacity utilisation rates to rise above 90 per cent for the next few years.

That will make it difficult for Japanese companies need to push through price increases and repair their margins.

In addition, users in the vehicle and electronics industries are moving production overseas in their search for expanding markets and lower costs. As they do so, they have become more willing to experiment with cheaper foreign products, Mr John Chanoki, industry analyst at James Capel notes in a recent report.

While the step taken by Showa Denko and Nippon Petrochemicals towards consolidation is applauded, analysts are sceptical of its likely impact on the company's and the industry's overall profitability.

The merger will enable the new company to save on research and development and distribution costs and, by relieving the parent companies of loss-making divisions, will improve their respective profits.

However, the creation of a large company does not in itself improve the prospects for better profits.

"Size is irrelevant," says Mr Masato Makiyama, industry analyst at Salomon Brothers. He addsthat even a larger company will not be able to raise prices without improving the supply situation. "The question is whether they can get rid of capacity."

The creation of Mitsubishi Chemical from the two Mitsubishi companies, for example, did not reduce capacity.

Japan's petrochemical industry may be moving towards consolidation, but the road to profitability is still a long and tortuous one.

Murdoch may expand stake in Fairfax

Mr Rupert Murdoch has left open the possibility of his News Corporation media group doubling its stake in the Australian newspaper publisher John Fairfax Holdings from 5 to 10 per cent, Reuter reports from Canberra.

The Sydney Morning Herald newspaper, which is owned by Fairfax, said that when asked what he intended to do with his existing stake, Mr Murdoch said: "Make it 10 per cent".

However, the newspaper said he later added that he had not decided when he might buy additional shares or how many he might buy.

Mr Murdoch was quoted as saying the investment was practical. "While we have spare cash, it's a useful place to leave it."

But he said he would not be interested in increasing the stake much beyond 10 per cent. "I have no intention of going to 20 per cent and tying up all that money," he said.

Mr Conrad Black, the Canadian media proprietor whose company The Telegraph owns about 25 per cent of Fairfax, was reported as saying that News Corp would be welcome on Fairfax's share register.

Chiat/Day joins Omnicom group

By Richard Waters in New York

Chiat/Day, the US advertising agency which became one of most renowned creative houses of the 1980s, is to merge with TBWA, a subsidiary of advertising group Omnicom.

The merger will create an agency with annual billings of nearly $2.3bn, making it the 14th largest in the world, said Mr Bill Tragos, head of TBWA.

The move was seen in the industry as a way for Mr Jay Chiat, who founded the California-based agency in 1968 and is now aged 63, to reduce his involvement in the business. He will act as a consultant to the agency in future.

Mr Tragos said the merger reflected the need for greater international reach in the advertising business. "Despite being one of the most famous agencies in the US, it is very, very difficult for them [Chiat/Day] to start to grow internationally," he said.

Chiat/Day first rose to prominence in 1984 with a television advertisement for Apple Computers which featured a hammer being cast through a computer screen.

Among its other famous campaigns is the Energiser Bunny, the long-running saga of a drum-beating rabbit with a battery that never runs down.

The agency has made a name for its creative approach to running its office as well as its advertising accounts. Its "virtual office" is widely talked about as a possible model for the way professional services companies will be run in the future: staff share desk space and work largely from customers' offices or home, with much of their communication handled electronically.

Mr Tragos said that TBWA would give up its own office space in New York and move into the Chiat/Day "virtual office".

TBWA, which generates three-quarters of its billings in Europe, was itself bought by Omnicom in 1993.

Mr Tragos said the agency had also embarked on a series of acquisitions in Latin America intended to build a network across the region which mirrors its presence in Europe, where TBWA now claims a presence in every country expect Ireland and the Baltic states.

Regulator agrees to Weddel sale

By Terry Hall in Wellington

The New Zealand Commerce Commission has agreed to allow a consortium of North Island meat companies to buy the assets of Weddel, the former UK-owned meat company which collapsed last year, and then close the chain of works.

The move is designed to improve the financial position of the New Zealand companies, which have seen a steady decline in sheep numbers. The national flock has fallen by more than 20m to 50m in the past decade.

The collapse of the Weddel company, which had been owned by the Vestey family for nearly a century, was widely blamed on intense competition between the companies for stock.

This led to bidding wars and high prices being paid to farmers for export-grade animals.

The commission's decision followed a hearing into monopoly fears over the permanent closure of nine works.

The Weddel receiver, Mr Alan Isaac, welcomed the commission's decision, saying the consortium's offer – no financial details have yet been revealed – was considerably better than others received. Most of the other bids were from organisations that wanted to buy single plants and reopen them.

Australian watchdog blocks merger

By Nikki Tait in Sydney

Australia's Trade Practices Commission, the country's competition watchdog, has blocked plans by Caltex Australia – ultimately owned by Chevron and Texaco in the US – and Pioneer International, to merge their respective petroleum marketing and refining operations into a market-leading business with annual sales of almost A$6bn (US$4.53bn).

Opposition to the merger, announced by the companies in December, comes as a surprise. Caltex Australia and Pioneer, which sells petroleum through the Ampol label, are the smallest of the five players in the sector.

Although the deal would have created a new market leader, the companies claimed that the Ampol-Caltex market share would not substantially exceed that of Shell Australia, the current market leader.

Shell, for example, is said to have a 26.7 per cent market share, while Caltex-Ampol would have about 28 per cent. (The other players are BP and Mobil with about a fifth of the market each.) The proposed merger, claimed Caltex and Pioneer, "would create a fourth, equally matched, force in the industry, better able to compete with the three other foreign-owned companies".

However, the TPC has ruled that the merger "would reduce the degree of independent operation among the majors, and be likely to result in an increase in petrol prices to consumers as well as an increase in the profit margins of the majors". It added that it was particularly worried about the impact on independent wholesalers and retailers.

Caltex and Pioneer said that they "strongly disagreed" with the TPC's view, and were considering challenging the ruling in Federal Court. They added that they had obtained advice "from senior counsel and a leading industrial economist" that the merger was not anti-competitive.

Shares in Pioneer fell 15 cents to A$3.03, while Caltex Australia closed unchanged at A$3.33.

Australis Media confirms talks

By Nikki Tait

Australis Media, Australia's first pay-TV operator, yesterday confirmed that it had discussed "areas of possible co-operation" with Mr Rupert Murdoch's News Corporation and Telstra, the large government-owned telecommunications group.

News and Telstra have already joined forces to develop a cable-based pay-TV network, although most of the infrastructure work has yet to be carried out. Australis, which holds one of the two commercially-available satellite licences, is at a more advanced stage: it began the delivery of pay-TV last week, although the number of people receiving services is small and the range of services currently available is limited.

Australis first admitted that it was holding talks with News during its annual meeting in November, but declined to specify the nature of the discussions. Speculation that the News-Telstra talks might result in the telecommunications group taking a minority stake in Australis pushed shares in the company four cents higher to A$1.04. News shares rose 21 cents to A$5.39.

● The board of NRMA, the Australian motor insurer, yesterday voted in favour of continuing to pursue a demutualisation plan. The group, which provides motoring services and insurance and is owned by its members, hoped to demutualise – that is, turn itself into a shareholder-owned company – and proceed with an A$2bn-plus (US$1.5bn) stock market listing last year.

Opponents of the plan successfully challenged the group's prospectus in court, claiming it was misleading.

● Further rationalisation of Australia's grocery sector could be in sight after Davids, the leading independent grocery wholesaler and the third largest seller of branded groceries, said it was seeking approvals from the Trade Practices Commission, the competition watchdog, to acquire Composite Buyers, another Victoria-based grocery wholesaler.

Davids' suggested all-share offer values Composite at just under A$30m, although Composite suggested the offer was on the light side, and would look for an improvement.

Mandarin buys Honolulu hotel

By Simon Holberton in Hong Kong

Mandarin Oriental, the Jardine-controlled hotels group, yesterday announced an expansion into Hawaii with a US$40m acquisition of a 40 per cent interest in the Kahala Hotel in Honolulu.

The hotel, which is overlooks its own bay and is located near Waikaki beach, will be renamed Kahala Mandarin Oriental after it reopens for business early next year. Mandarin will manage the 370-room hotel.

Mandarin said the hotel had not been trading profitably in recent years, but its equity injection of $40m and bank finance of a further $35m would provide the resources for a renovation programme.

Bid possible for group or just for US coal business

Costain entertains possible takeover

By Andrew Taylor, Construction Correspondent

The share price of Costain rose by almost 7 per cent yesterday, by 1½p to 24p, after the troubled construction company announced that it was involved in talks which could result in the sale of the group.

Costain said it was having discussions with a number of parties involving the possible sale of either its remaining US coal business or "the group as a whole".

It had been forced to make the announcement after recent share price movements.

Speculation on Wednesday that Hanson, the UK and US conglomerate, might be prepared to mount a bid sparked the initial share price rise.

Peabody, a Hanson subsidiary, acquired Costain's Australian coal interests in a deal worth £192m ($300m) in 1993. Costain has since sold the most profitable part of its US coal interests for $75.8m to a subsidiary of Philipp Holzmann, the German construction group.

Analysts last night said Hanson was unlikely to be interested in the remaining US coal business.

It was even less likely that the conglomerate, which only two years ago sold the former Beazer construction division to employees and management for £52m, would want to re-enter a low margin UK contracting businesses suffering from substantial over-capacity.

For the same reasons, other large UK construction companies with existing building and civil engineering interests would be very reluctant purchasers.

A more likely UK purchaser might be Bovis, the international construction management arm of the P&O shipping group, which has no civil engineering capacity. Bovis has recently been a partner with Costain in tendering for work in east Asia and for privately financed infrastructure projects including some to design, build, finance and operate roads in the UK.

Continental European construction companies might also be prepared to bid for the group to gain a foothold in the UK market. Previous UK purchases and stake building by continental Europeans, however, have been unsuccessful including the purchase by Hochtief, the German contractor, of a 25 per cent stake in Rush & Tompkins which went into receivership in 1990.

Possible bidders for Costain, according to analysts could include Holzmann and Bouygues of France. Costain having sold its coal mining and commercial and residential property interests to reduce large borrowings is left with its UK and international contracting operations.

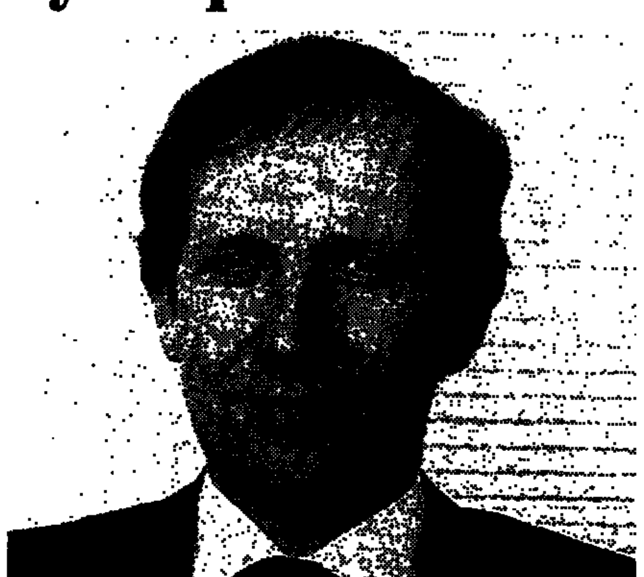
Its shrunken balance sheet, however, is thought to be too small to support a large portfolio of big construction projects, particularly if these require equity investment.

Costain's share price plunged from a high of 327p in September 1987 to a low of 17p in 1992.

Net debt at the end of June last year was still £63m, representing gearing of 30 per cent – in spite of the company raising £161m from two rights issues, in 1991 and 1993, and selling its Australian mining and UK commercial and residential property operations.

P&P almost doubles to £8m, bolstered by acquisitions

By Geoff Dyer



David Southworth: leading P&P through a programme of change

Boosted by two acquisitions, pre-tax profits of P&P, the computer hardware group, almost doubled from £4.1m to £8m ($12.5m) in the year to November 30.

Turnover at the company, which is transforming itself from a distributor to an information technology services group, grew by 21 per cent to £263.9m (£217.3m) with acquisitions contributing £20.4m.

QA Training, the UK market leader for technical training in desktop computing, which was acquired in August, and Computers for Business (Scotland), bought in May, added £2m to profits – ahead of the company's expectations.

Mr John Atkin, finance director, said that the company had seen growth across the range of its businesses. Operating profit from continuing business was ahead 30 per cent at £5.9m (£4.53m).

Turnover from continental Europe jumped to £53m (£29.5m) after revenues from the Swedish specialist distribution business doubled. Sales of products and services in the UK increased 26 per cent to £150.3m (£119.7m).

Mr David Southworth, managing director, said: "We are half way through a five-year programme of change. We want to consolidate so that we can offer a seamless P&P brand to major corporate customers."

Margins, currently 3 per cent, are to be increased to 5 per cent. Net assets fell to £37.3m (£40.4m) after a goodwill write-off from the acquisitions of £22m and an £8.6m rights issue in August.

Earnings per share jumped to 8.2p (4.1p), helped by a lower tax rate of 34 per cent (42 per cent) after losses at the Belgian subsidiary, which do not qualify for tax relief, were reduced.

The final dividend is 1.65p (1.2p), making 2.6p for the year, up from 2p.

Analysts predict pre-tax profits for next year of £10.8m and earnings of 8.9p. But it is still trading at a 30 per cent discount to the sector.

Rewe attacks Budgens for discount retreat

By Andrew Fisher in Frankfurt and David Blackwell in London

Rewe, Germany's largest food retailing concern, has unleashed a stinging attack on Budgens of the UK for abandoning its Penny Market discount venture after less than two years.

The German company charged Budgens, in which it has a 29 per cent stake, with making a "crassly mistaken decision". It said the UK company had sacrificed long-term corporate strategy to short-term dividend considerations and not given the concept time to work.

Mr Christian Williams, executive director, was "absolutely shocked" at Rewe's outburst. Rewe's management had been aware since May of the board's predicament as it struggled to find a mutually satisfactory solution to Penny Market's losses.

Mr Heinz-Otto Lühr, Rewe's representative on the Budgens board, had voted against the decision on Monday to pull the plug on Penny Market, said Mr Williams. But he had not shown fierce opposition, and he had not voted against the interim dividend.

Budgens' decision to pull out of the discounting scene, which it entered on the basis of Rewe's successful Penny discount market formula, was announced this week.

Budgens said conditions had changed since the 12 Penny Markets were opened in England, with more competition and pressure on prices.

Rewe, which is organised along co-operative lines and has a turnover of some DM40bn, ($25bn) said Budgens' decision to close most of the Penny discount outlets and sell the rest was taken against Rewe's will. "In Germany, it took many years for discounting to make a breakthrough in the food market."

It added that the start-up losses of the first Penny Markets in England were roughly as expected, bearing in mind the competitive and siting difficulties associated with transforming Budgen supermarkets into low-price discount stores. In Germany, where the Penny name is well known, it takes two or three years for profits to appear, Rewe said.

Mr Williams said the retreat had been a very tough decision. But the board had acted in the interests of all shareholders, including Rewe.

The 12 Penny Market stores had made lower sales than had been projected, gross margins were lower and stock losses were higher. "The longer we continued the more the losses would be," said Mr Williams.

Bowthorpe plans to buy Metrosonics

Bowthorpe, the electronics and electrical group, has signed a conditional agreement to acquire Metrosonics, a Rochester, New York-based company, for a maximum $15.4m.

The consideration will be settled by an initial cash payment of $12.9m, followed by a deferred profits-related payment not exceeding $2.5m.

Bowthorpe also said that trading in the last quarter of 1994 had grown ahead of expectations. It was not, however, thought that this rate of growth would continue throughout the whole of 1995.

The initial payment is subject to a post-completion adjustment dependent upon the audited net worth of Metrosonics at January 31 1995 being not less than $2.9m. The net worth at end-January 1994 was $3.7m.

The contract is conditional upon approval by Metrosonics' stockholders and upon its certificated profit before tax and bonuses for the year to January 31 1995 being not less than $1.45m. Adjusted pre-tax profits for the 1994 year were $1.8m.

Metrosonics has interests in monitoring of noise pollution, indoor air quality, toxic gases and heat stress in workplaces as well as the manufacture of high specification instruments for measuring the quality and quantity of power supplied by public utilities.

Homart Europa for IMI

IMI, the international engineering group, is paying about Fl 3.5m cash for Homart Europa.

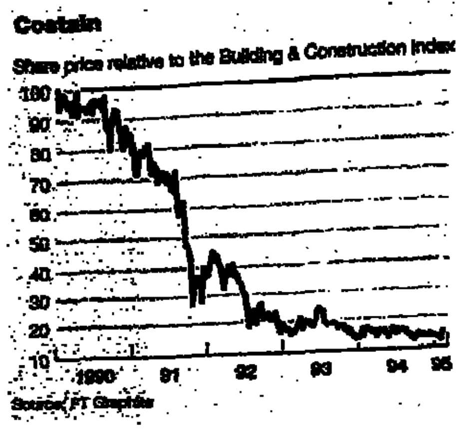
The Dutch company markets direct fired water heaters, mainly in the Benelux countries and France, under the Sentry banner.

Mr Peter Roberts, executive director, said Homart would join the water heating division of IMI Building Products.

"It complements our recent acquisition of Andrews Water Heaters and provides a springboard into Europe for our expanding range of gas burning products," he added.

LEX COMMENT

Hope for Costain



The UK construction industry has had a hard time since the heady days of the 1980s. Competition is fierce and margins are wafer thin, as reflected in the dire performance of the sector against the market as whole – down 65 per cent since the turn of the decade.

But the performance of Costain is especially grim. Its shares have underperformed the construction sector by 80 per cent over that time. The value of the company has dwindled to under £100m from more than £1bn in 1990, with a series of of strategic and operational miscalculations. In recent years the company made three diversifications, into property, housebuilding and mining, and in each case it has had to stage a costly retreat. Those investors who maintained their faith have been poorly rewarded. They have coughed up £160m in rights issues since 1991. The first was at what now seems a fantastic 155p per share, the latest at 30p, still well above yesterday's closing price of 24p.

Shareholders can only cross their fingers and hope that the talks announced yesterday do lead to an agreed bid. The core construction business, with £800m of turnover and a chance of making a 2 per cent profit margin this year, is undercapitalised but fundamentally sound. Sell off the remaining property and mining interests, albeit at a substantial loss, and the group would become cash positive. This may prove attractive to a friendly bidder, but the price is unlikely to be generous.

Marmon buys coal mining offshoots from Charter

By Tim Burt

Charter, the UK engineering group, yesterday announced its withdrawal from the coal industry following the sale of two mining subsidiaries to Marmon Group, the privately-owned US conglomerate.

The Chicago-based company, owned by the entrepreneurial Pritzker family, has agreed to pay Charter $46m for Anderson Group, the manufacturer of coalface machinery, and National Mine Service, its US mining equipment distributor.

Mr Jeffrey Herbert, Charter's chief executive, said the disposal would enable the group to concentrate on its core building materials, welding and rail equipment activities.

"Reduced demand and structural changes in coalmining has made it less attractive, and I believe there are greater benefits to shareholders by investing in other businesses," he added.

Charter underlined that strategy last month by selling Shand Mining, its Indiana coalmining subsidiary, for $5.5m with promised royalty payments of $15m over the next 10 years.

Funds from the disposals will be used to reduce the group's borrowings to £156m, equivalent to gearing of about 70 per cent.

Those borrowings increased sharply last summer when Charter assumed £130m of debts owed by Esab, the Swedish welding company which it acquired for £286m.

Although the latest disposals represented a loss against the subsidiaries' £49.8m combined book value, Mr Herbert said the shortfall would be covered by goodwill write-offs and should not affect profits.

In the 12 months to March 31 last year, Anderson and National Mine Service contributed profits of £1.9m – 3.8 per cent of Charter's £50.1m pre-tax profits.

The Pritzker family, better known as the owners of the Hyatt hotel chain and for tobacco production and property, is expected to integrate the newly acquired companies into Marmon's existing mining subsidiaries.

Anderson's UK employees, meanwhile, were told yesterday that the US group would be making a substantial investment in plant and equipment.

Bibby to dispose of Makin to API

J Bibby & Sons has signed a letter of intent about the sale of J&J Makin Converting to API Group. Bibby said discussions were proceeding but the offer was worthy of full consideration and a further announcement would be made later.

Makin, which converts paper and board for use in the packaging industry, reported sales of £13m ($20.3m) for the year to September 24 and net assets of £3.9m at the period end.

Bibby, the conglomerate which is 79 per cent owned by Barlow of South Africa, also said that the three months to December 31 1994 had seen a significant recovery in profitability.

Mr Richard Mansell-Jones, chairman, told the annual meeting that the main improvement had been in the capital equipment division. There had been increased demand in Spain and a significant improvement in after-sales activities there and in Portugal.

Materials handling maintained its steady climb out of recession in the UK and more recently Europe. In the US sales of new equipment had been static.

The company fell into losses of £10.7m last year after exceptional charges of £30.6m relating to the sale of its agricultural feeds business to Associated British Foods.

Thomson strengthens its UK grip

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Thomson Travel, part of the Canadian Thomson Group, has strengthened its grip on the UK domestic tourism market by acquiring the cottage holiday letting business of Blakes Holidays.

Neither side would say how much Thomson was paying, but the sum is thought to be between £5m and £8m.

The acquisition was made by Country Holidays, the UK's largest holiday letting company, which Thomson, the UK's largest overseas holiday company, bought last August.

Alleviating the strain of growth

James Whittington on how nursing homes can raise funds to expand

Over the past few years, the nursing home sector has developed a voracious appetite for capital. Fuelled by changes in demographics and government policy, the market for long-term beds for the elderly and chronically ill has grown rapidly to an annual worth of about £7bn.

More important, thousands more new beds will be needed by the end of the century to meet the rising demand.

Quoted operators of nursing homes make up less than 5 per cent of the overall market, but their expansion has easily outpaced the sector as a whole.

Since the start of 1993, the 12 quoted operators have raised more than £325m in either rights issues or flotations and they now have an aggregate market capitalisation of about £900m, says Mr Richard Williams, a healthcare analyst at UBS.

All the leading operators have been encouraged by estimates from Laing & Buisson and other healthcare consultants that about £3bn of new investment in nursing and residential homes will be needed by 2000 to meet demand.

Consequently they are hatching plans for yet more rapid expansion.

Exactly where such large amounts of finance will come from, however, has concerned both operators and analysts. Many, such as Mr Andrew Richmond at stockbroker Collins Stewart, have argued that traditional forms of equity and debt funding no longer meet the sector's capital demands.

"The sector needs access to more forms of off-balance sheet funding, which will allow operators to concentrate on management of their homes while others provide the capital," Mr Richmond argues.

Among quoted operators, Associated Nursing Services has been the most adventurous. It has arranged various off-balance sheet finance arrangements by setting up joint venture companies with Barclays de Zoete Wedd and Nash Sells, the venture capital company.

The basic principle is that finance is provided by the joint venture partner – therefore not added to the operator's assets – and the profits are split.

Operators have been encouraged by estimates from healthcare consultants that about £3bn of new investment in nursing and residential homes will be needed by 2000 to meet demand

However, the launch of Nursing Home Properties, an investment fund which specialises in financing nursing home operators, has begun to formalise the procedure for the first time in the UK. The company will today announce a £15m placing, after which there will be a retail offer of up to £15m.

NHP is modelled on the US companies known as real estate investment trusts, which offer sale and leaseback finance to a range of sectors.

Existing portfolios and new homes are sold to the REITs, and then leased back for between 15 and 25 years with rents normally linked to inflation and turnover.

Mr Richard Ellert, chief executive at NHP, says one advantage of sale and leaseback finance is that it separates the ownership from the operation of the nursing homes. "This makes sense, because the skills of the operator are in management. It allows companies to increase their earnings without taking on more assets."

Dr Nick Dhandsa, chief executive of ANS, which has arranged a £12.5m facility with NHP, says the idea is "great news for a cash-hungry business." He explains that it will allow nursing home operators to combine equity, debt and sale and leaseback arrangements to provide a blended mix of finance.

"The attraction of NHP is that it avoids adding to an operator's gearing ratio and diluting shareholders' earnings through successive rights issues, while increasing turnover and profits."

Mr William Fitch, chairman of Tamaris, one of the smaller quoted companies, agrees. With gearing of 112 per cent and five cash calls since the 1988 float, including a £3m rights issue last April, he says the £10m facility with NHP is a welcome source of funds.

So far, three nursing home operators have arranged finance from NHP. The leases are for at least 25 years and are based on an initial 10.6 per cent rental yield, with rental increases linked to turnover.

However, not everyone in the sector is excited by the idea of off-balance sheet finance.

Mr Keith Bradshaw, chairman of Takare, the largest operator in the UK with turnover of more than £60m, says: "The idea that you can tuck away money off-balance sheet is simply not on. . . . We see ourselves as a trading company which owns its own assets and we'd rather have simple and transparent funding which is predictable."

Mr Harald Hendrikse, a healthcare analyst at Smith New Court, believes NHP's rental yield of 10.6 per cent could become more of a burden than a bonus to operators. He says the fact that the yield is linked to turnover adds too much uncertainty to the lease.

"You've basically got a moving feast on a 25-year liability and you've no idea what you might be paying in the future."

Despite the criticisms, however, others are keenly watching the progress of NHP with the view of setting up their own nursing home REITs. Brokers Butterfield Securities, for instance, has teamed up with Laing & Buisson with plans to set up a fund for sale and leaseback finance in the next few months.

As more companies come to the market, Mr Hendrikse says the lease terms will become more competitive.

"As the idea becomes more widely accepted terms will improve and risks will be reduced. But I definitely think we'll see growth in the number of off-balance sheet finance schemes."

Independent Newspapers acquisition

Independent Newspapers, the Dublin-based publishing and media group, has acquired a 26 per cent stake in Cody Outdoor, the Australian outdoor advertising company.

The initial purchase price was A$2.6m. Independent has options to buy 100 per cent control over the next four years.

Cody, a privately-owned company, was founded in April 1993 by Mr Pierce Cody, an advertising media specialist, together with Mr Mark Fishwick and Brett Jarick.

Mr Cody will retain his majority shareholding in the company as well as his position as chairman and managing director.

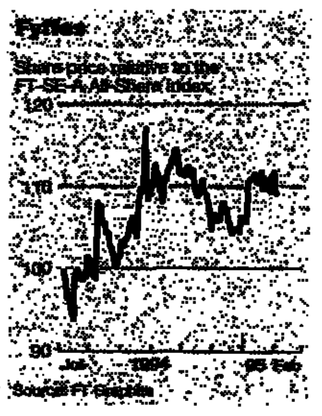
Magnolia warning

Magnolia has warned that stock write-downs would exceed forecasts and announced the departure of its finance director.

However, Lira, its Czech subsidiary, had performed well and was expected to make a positive contribution.

Acquisitions help Fyffes show advance to I£36.1m

By David Blackwell



Acquisitions helped Fyffes, the Dublin-based fruit and vegetables distributor, to lift turnover by 44 per cent last year.

However, net income from financial assets was more than halved to I£4.3m, keeping the rise in profits to just under 14 per cent.

Pre-tax profits for the year to end-October were I£36.1m ($55.5m) against I£31.8m, on sales up at I£897m, compared with I£623.2m.

Operating profits from continuing operations were I£27.9m on sales of I£712.8m, while acquisitions contributed I£3.9m on sales of I£184.2m.

Mr John Ellis, chairman, said that organic growth would continue, although there would be no surge because of the EC banana regime, which made it "very difficult to get extra space" in the market.

However, he attacked recent criticism of the European banana regime as missing the point.

"Our margins aren't that much different to before the regime," he said.

Without the regime the traditional Caribbean suppliers would be unable to continue in the business. They were getting nearly $10 a box, compared with $5 to $6 a box for the Latin American producers.

Fyffes was fortunate to be in a market where demand for healthy, additive-free eating was increasing. However, acquisitions were much more important.

The fall in net interest reflected both a decline in rates and a fall in the cash pile from I£92.4m to I£56.3m as the group bought European businesses.

In the past couple of years it has made six acquisitions in Europe, and it now operates in France, Spain, Denmark, the Netherlands and Germany.

"We are in a healthy position," said Mr Ellis. "We are probably the only player in our market that has a positive balance sheet."

The group would be careful to find the right partner before making any further purchases. "The reason we had nearly £100m of cash was that we did not want to take risks."

Earnings per share were up 15 per cent at 7.02p (6.1p). A final dividend of 1.0864p (0.9876p) is proposed, taking the total for the year to 1.5158p.

Margins are not high at 3.5 per cent, but they are stable. Profits this year are expected to be I£41m, without further acquisitions, putting the group on a prospective multiple of 13.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Leisure	24 weeks to Dec 4	9.54	(10.1)	0.77	(0.28)	1.11	(0.34)	nil	-	nil	-	nil
Benson's Crisps	Yr to Nov 30	35.7	(34.5)	6.72L♥	(0.302)	36.1L	(4.1)	nil	-	2.15	nil	2.85
Fyffes ‡	Yr to Oct 31	897	(623.2)	36.1	(31.8)	7.02	(6.1)	1.0864	Apr 7	0.9876	1.5158	1.378
P&P	Yr to Nov 30	263.9	(217.3)	8.02	(4.11)	8.2	(4.1)	1.65†	May 13	1.2	2.6	2
Porvair	Yr to Nov 30	24.8	(21.9)	3.11	(2.55)	14.5	(13.2)	3.2	Apr 12	2.8	4.8	4.2
Wellcome	16 mths to Dec 31‡	2,962	(2,041)	881.4♥	(867.1♠)	60.7	(48.4)	16	May 12	12.5	30.4	17.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh Java	Yr to Dec 31	42.53	(61.39)	0.08L	(0.028L)	0.27L	(0.09L)	-	-	-	-	-
Kleinwort High Inc	6 mths to Dec 31	82.5	(117)	1.41	(1.15)	4.71	(3.84)	2	Apr 5	1.875	-	7.5
TR City of London	6 mths to Dec 31	141.38	(160.13)	5.68	(5.09)	2.74	(2.51)	1.31	Feb 28	1.23	-	5

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. $USM stock. ‡Irish currency. ‡Comparisons for 12 months. ♥After exceptional charge. ♠After exceptional credit.

COMMODITIES AND AGRICULTURE

Comex move to increase competition with London

By Laurie Morse in Chicago

Competition between the London Metal Exchange and the New York Mercantile Exchange's Comex division will intensify on March 23, when Comex copper futures will be listed for overnight trading on the Nymex Access after-hours computer trading system.

The hours for the electronic session will be from 4pm to 8am, New York time, leaving substantial overlap with the London exchange.

That exchange recently announced it would open copper warehouses in New York, "drawing first blood", in the battle for copper customers, said Mr Daniel Rappaport, Nymex chairman. Until this year the two big metals markets had been careful not to compete head-on.

Comex silver and gold futures will also be added to Access for overnight trading on March 23. There are 10 Access terminals operating in London, and about 100 in New York.

Mr Patrick Thompson, Nymex president, said: "One of the key goals in accomplishing the Nymex/Comex merger this past August was to utilise existing exchange resources to expand the metals markets to their full global potential.

"Access will allow our overseas market participants to manage risk in these markets during their own business hours, will provide the metals industry with virtually around the clock price transparency, and will offer reliable risk management tools to use in response to overnight world events."

He said other copper contract refinements, including extending options dates, are also in process.

The Nymex on Monday also expanded the trading hours for the open outcry copper trading session in New York. The new trading schedule, which begins at 8:10am and ends at 2:35pm, New York Time, opens the pit more than one hour earlier.

Man report predicts white sugar deficit to be reduced

By Deborah Hargreaves

World white sugar prices edged up yesterday in spite of predictions in ED&F Man's latest report of a smaller deficit between supply and demand than had previously been forecast. London prices were up $2.50 a tonne to $394 a tonne, but the market has slipped from $400 a tonne at the beginning of the week.

The Man report puts this season's deficit at just under 500,000 tonnes compared with a previous forecast of 1.8m tonnes following an increase in Brazilian production. The estimated rise in output and consumption in Brazil leaves the country with 3.9m tonnes of crystal sugar available for export which is a record high.

The report expects prices in the medium term to be depressed. India and China, which have been large buyers in the international market, are believed to be replenishing stocks rather than buying for immediate consumption.

In addition, higher exports from the European Union and Brazil will keep the market down.

Rutile mine recaptured in Sierra Leone

Consolidated Rutile said its 50 per cent owned mine in Sierra Leone had been recaptured from rebels by government forces but operations would remain suspended while damage was assessed, Reuter reports from Sydney.

Several people were reported killed during the battle for the mine, which supplies 25 per cent of the world's natural rutile. It is believed two British employees and one Sierra Leonean taken hostage are still held by the rebels.

● Five executives of Dyno Wesfarmers, an Australian-Norwegian explosives company, have been summonsed to appear in court in Papua New Guinea on seven charges of negligence in relation to the deaths of 11 men at the Porgera gold mine last September.

Last week a PNG Mines and Petroleum Department report alleged that the company was guilty of professional negligence by not properly maintaining equipment and because of poor supervision.

MARKET REPORT

Copper prices pushed lower

Fresh speculative selling pushed COPPER prices lower again on the London Metal Exchange yesterday and three-month metal closed down US$11 a tonne at $2,883.50. "Prices have bounced slightly from the lows today, but it is not convincing. We would not be surprised to see further losses," one trader said.

Today's LME stock figures might hold the key to copper's next direction. A big fall could give the metal's price a boost, another trader said.

ALUMINIUM again showed resilience in spite of a falling copper market, gaining support from robust consumer demand and falling LME stocks.

Compiled from Reuters

Latin America yields golden opportunities

Newmont's project in Peru has exceeded all its expectations, writes Sally Bowen

Mining experts and investors flew into Peru's northern department of Cajamarca this week for the inauguration of the rich and profitable Yanacocha deposit's second phase.

Yanacocha, which is producing 450,000oz a year, is not only Latin America's biggest gold producer but also has the world's biggest heap leach operation in terms of output. This is the system where ore is piled on an impermeable, plastic sheet and sprinkled with a weak cyanide solution. The acid leaches gold from the ore and the precious metal is later recovered from the liquid collected from the heap.

Yanacocha is also Latin America's most profitable gold mine, with operating costs of around $135 an ounce. The porous and crumbling ore needs no treatment – not even crushing – before leaching. A blast of dynamite allows frontloaders and trucks to move in, scoop up the ore and deposit it directly on to leach pads. There, after flattening by bulldozers, irrigation by cyanide begins.

"Results have exceeded all our expectations," said Mr Ronald Cambre, president and chief executive of Newmont Mining, at the mine opening.

"And just as exciting is the fact that we have only begun to define the potential of the area's 14 known anomalies [indications of mineralisation]."

Newmont has 38 per cent of Yanacocha and runs the operation. The other shareholders are the long-established Peruvian Buenaventura mining group with 32 per cent and France's BRGM with 25 per cent. IFC, the World Bank's investment arm, has the remaining 5 per cent.

Mr Len Harris, vice-president of Newmont's Latin American operations, says IFC has put up about 70 per cent of the $54m in foreign funds received by Yanacocha so far. The rest has come from the Union Bank of Switzerland and DEG, the German state-owned bank.

Investment in the first stage of the project has totalled $88m and, this year, another $30m will be spent on expanding the 25,000ha site and $10m on further exploration. Most of the profits have been ploughed back into the operation but shareholders can expect a good dividend this year.

Maqui Maqui, the second deposit, has minable reserves of almost 45 tonnes averaging 1.7oz gold a tonne, high for a leaching operation. This compares with about 27 tonnes at 1.38oz a tonne in the first deposit, Carachugo.

Yanacocha is located 560km north of Lima in the northern Andean department of Cajamarca, historically a poor, if picturesque, agricultural area. Gold was mined during the Inca and colonial periods, but low grades and the disseminated nature of the mineral prevented large-scale development until heap-leaching technology advanced in the 1980s.

Newmont and Buenaventura formed their initial association to explore the area in 1984. Mr Cambre paid tribute to the patience of the partners who then "watched and waited through eight years of political unrest" until the Fujimori administration provided "a stable economy and a co-operative government" in which the find could be exploited.

Newmont's US board gave the green light to development of Carachugo, the first deposit, in July 1992 – a bold decision, as it was taken at the height of guerrilla violence in Peru. Yanacocha was pouring its first gold within 14 months. In its first full year of operations, Carachugo produced 250,000oz.

Feasibility studies on the second promising anomaly, Maqui Maqui, began almost immediately. Using existing plant installations for ore treatment – Yanacocha uses the Merrill Crowe system with activated carbon and subsequent refining to produce dore bullion – Maqui Maqui came on stream last November, just 10 months after the board's go-ahead. That boosted Yanacocha's total 1994 output to 305,000oz, 41 per cent higher than projected for the year.

All Yanacocha's gold is exported. The dore – 70 per cent gold and 30 per cent silver – is airfreighted to Europe for refining. Half of the current production goes to the UK's Johnson Matthey, and half to Switzerland. Sales this year should top $160m.

Newmont officials are obviously pleased with their investment. "Peru has truly become the mecca for the world's geologists and miners," said Mr Cambre.

The company was "fortunate to be part of the latest chapter of its rich mining history", he said, underlining the role played by the Fujimori government in "fostering an environment which has encouraged investment".

Mr Cambre was also enthusiastic about the "rich Peruvian mining heritage, knowledge and skill base" which "has made it possible to bring Maqui Maqui into production ahead of schedule and under budget". Of the 156 workers at Yanacocha, only three are non-Peruvian, of whom two are on loan from Newmont.

The company is trying to demonstrate to locals that having a profitable, largely foreign concern on their doorstep is beneficial. More than half of those employed come from the local area. Yanacocha recently established a rural development programme to finance the rebuilding of schools and health posts in the area and organise lunches for schoolchildren.

Environmental protection is also a salient and, for Peru, unusual feature of the Yanacocha operation. Practices "parallel the best environmental engineering methods anywhere in the world", said Mr Cambre. Last year, Yanacocha spent $4m on environmental measures. And the local record on lost time for accidents is substantially better than that of the US mining industry.

Yanacocha's success has acted as a magnet for other foreign mining concerns.

Barrick Gold is expected soon to announce the go-ahead on its Cerro Corona joint venture, also in Cajamarca, which is believed to promise more than 3m ounces of gold. Development costs could top $250m.

Cambior of Canada has big plans for the nearby gold-copper deposits of La Granja which it acquired at auction last year.

Remote Indonesian deposit a significant discovery

By Kenneth Gooding, Mining Correspondent

Newmont Mining of the US says that its Batu Hijau copper-gold deposit deep in the Indonesian jungle has turned out to be the largest single discovery in its long history.

Located in the south-western part of Sumbawa Island, 1,500km east of Jakarta, the deposit contains indicated resources of 12.6m troy ounces (392 tonnes) of gold and 10.3m lbs (4,673 tonnes) of copper.

Newmont said yesterday that it expected to have a feasibility study completed by the end of the year and, if all went well, construction could start in 1996 for initial production in 1998.

However, Mr Ronald Cambre, the company's new chairman, warned last week that the project "poses many financial, environmental and engineering challenges before the company can tap its wealth".

This is because the deposit, discovered by Newmont in 1990, is in a remote area and the capital requirements would be huge. But the deposit is only about 16km from the island's coast and there are natural harbours that could be developed to receive supplies.

Indonesian sources say that exploration and drilling by Newmont to the east of Batu Hijau has indicated other areas of mineralisation that look promising.

Newmont divested itself of its former copper operations some years ago and became a "pure" gold company, one of the biggest in the world thanks to a series of rich deposits on the Carlin Trend in Nevada.

Analysts wonder whether Batu Hijau will be tempting enough to bring it back into the copper business.

Correction

Barrick Gold is to spend $300m on its El Indio mine project in Chile during the next five years, not $429m as appeared in yesterday's Financial Times.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2084-5	2125-6
Previous	2074-5	2116-7
High/low	2096	2137/2112
AM Official	2095-6	2136-7
Kerb close		2131-2
Open int.	229,810	
Total daily turnover	49,259	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1980-90	2020-30
Previous	1980-90	2020-30
High/low		2035/2015
AM Official	2000-5	2045-50
Kerb close		2030-40
Open int.	2,678	
Total daily turnover	423	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	624-5	642-3
Previous	630.5-1.5	649-50
High/low		653/642
AM Official	632-3	650-1
Kerb close		642-4
Open int.	38,079	
Total daily turnover	11,539	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9645-55	9815-20
Previous	9665-75	9835-40
High/low		9985/9800
AM Official	9810-20	9980-85
Kerb close		9840-50
Open int.	58,546	
Total daily turnover	14,856	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5620-30	5715-20
Previous	5865-75	5960-70
High/low		5970/5710
AM Official	5775-85	5875-80
Kerb close		5750-60
Open int.	21,740	
Total daily turnover	11,589	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1111-12	1138-9
Previous	1120-1	1147-8
High/low		1157/1132
AM Official	1120-1	1145-6
Kerb close		1142-3
Open int.	100,129	
Total daily turnover	18,043	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2886-7	2883-4
Previous	2888-9	2894-5
High/low	2915	2900/2863
AM Official	2913-5	2905-6
Kerb close		2885-6
Open int.	231,122	
Total daily turnover	82,481	

■ LME AM Official £/$ rate: 1.5855

LME Closing £/$ rate: 1.5825

Spot:1.5835 3 mths:1.5820 6 mths:1.5807 9 mths:1.5803

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Feb	134.70	+1.60	134.60	134.00	1,473	148
Mar	133.70	+1.50	133.80	131.25	27,888	16,868
Apr	132.70	+1.50	132.10	131.90	1,026	33
May	131.60	+1.50	131.80	129.20	7,054	1,555
Jun	129.80	+1.20	129.60	128.00	584	40
Jul	127.90	+0.90	128.20	125.70	4,240	278
Total					88,528	9,231

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	375.90-376.30	
Opening	375.40-375.80	
Morning fix	375.25	237.110
Afternoon fix	375.90	237.396
Day's High	376.10-376.60	
Day's Low	374.90-375.30	
Previous close	376.00-376.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.41	6 months	5.58
2 months	4.70	12 months	6.13
3 months	4.89		

Silver Fix	p/troy oz.	US cts equiv.
Spot	295.30	467.50
3 months	298.80	474.05
6 months	304.95	481.80
1 year	316.95	499.75

Gold Coins	$ price	£ equiv.
Krugerrand	376-379	238-241
Maple Leaf	388.60-399.05	-
New Sovereign	87-90	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	377.1	+0.4	377.5	376.0	5,012	3,077
Mar	377.7	+0.4	-	-	3	1
Apr	379.1	+0.4	379.2	377.8	88,636	21,888
Jun	382.7	+0.4	382.8	381.3	26,508	828
Aug	386.7	+0.4	-	-	15,433	672
Oct	390.8	+0.4	-	-	4,742	70
Total					170,596	27,522

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	415.1	-2.6	416.0	413.0	16,600	1,531
Jul	418.8	-2.6	420.0	418.0	4,286	252
Oct	423.0	-2.8	-	-	1,125	-
Jan	428.7	-2.6	-	-	170	-
Total					22,181	1,783

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	159.35	-0.75	160.25	159.00	5,065	585
Jun	160.95	-0.75	161.75	160.50	2,378	468
Sep	162.25	-0.45	-	-	294	-
Dec	163.25	-0.20	-	-	53	-
Total					7,790	1,061

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	469.7	+4.2	-	-	-	2
Mar	471.2	+4.2	473.0	466.0	66,957	10,902
Apr	473.8	+4.2	-	-	-	2
May	476.8	+4.2	478.0	472.0	15,242	1,276
Jul	482.3	+4.2	484.5	478.0	8,177	720
Sep	488.2	+4.4	-	-	10,238	72
Total					135,732	13,032

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.41	-0.11	18.48	18.13	92,741	38,708
Apr	18.18	-0.10	18.26	17.99	65,288	19,426
May	18.08	-0.06	18.11	17.94	25,711	9,183
Jun	18.00	-0.05	17.99	17.85	35,557	5,028
Jul	17.90	-0.03	17.90	17.79	18,586	2,417
Aug	17.84	-0.03	17.84	17.82	13,902	1,126
Total					379,958	88,179

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	16.79	-0.09	16.81	16.58	82,555	25,584
Apr	16.62	-0.05	16.64	16.46	46,308	16,471
May	16.56	-0.05	16.57	16.43	14,973	2,586
Jun	16.47	-0.10	16.60	16.47	11,378	2,011
Jul	16.40	-0.10	16.43	16.37	8,307	1,260
Aug	16.37	-0.09	16.37	16.37	4,438	593
Total					188,729	48,673

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	48.25	+0.45	48.45	47.30	40,904	13,382
Apr	48.30	+0.38	48.50	47.60	20,154	4,412
May	48.40	+0.46	48.40	47.85	10,830	2,797
Jun	48.35	+0.36	48.35	47.90	9,372	2,347
Jul	48.45	+0.26	48.60	48.00	8,603	505
Aug	49.05	+0.31	49.05	48.85	4,100	318
Total					118,029	24,747

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	144.00	+1.50	144.00	141.50	37,738	8,175
Mar	146.25	+1.00	146.25	144.00	29,804	6,330
Apr	147.00	+0.50	147.50	145.25	16,237	2,010
May	147.75	+0.50	147.75	146.25	5,407	200
Jun	148.50	+0.50	148.50	146.50	8,325	878
Jul	150.00	+0.25	150.00	150.00	2,737	40
Total					110,121	17,318

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	1.425	+0.035	1.490	1.390	30,412	12,409
Apr	1.430	+0.027	1.440	1.410	15,614	3,231
May	1.465	+0.020	1.465	1.450	12,782	1,987
Jun	1.515	+0.017	1.520	1.500	10,418	830
Jul	1.555	+0.017	1.555	1.550	11,209	516
Aug	1.580	+0.016	1.580	1.570	8,534	514
Total					152,742	21,087

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	55.05	-0.82	56.50	54.40	21,838	12,121
Apr	57.50	-0.75	57.80	56.75	15,548	6,618
May	57.10	-0.47	57.30	56.60	11,191	3,607
Jun	56.80	-0.47	56.70	56.20	4,493	690
Jul	56.10	-0.32	56.40	55.80	1,880	455
Aug	55.50	-0.25	55.50	55.50	891	59
Total					88,408	23,865

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.20	-0.75	108.85	108.25	1,299	38
May	109.85	-1.00	110.35	109.90	1,960	85
Jul	111.20	-0.90	111.50	111.20	364	46
Sep	97.75	-0.75	-	-	143	-
Nov	99.10	-0.35	99.10	99.00	1,758	42
Jan	101.00	-0.45	101.25	101.25	271	-
Total					5,795	210

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	376/6	+6/2	377/0	367/4	35,801	7,511
May	364/6	+7/6	366/0	354/4	11,640	2,411
Jul	339/6	+3/6	340/0	334/6	19,221	3,001
Sep	344/2	+3/4	344/2	339/4	1,335	165
Dec	354/2	+3/2	354/4	350/0	906	225
Mar	358/6	+3/4	-	-	14	-
Total					69,133	13,313

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	231/6	+0/6	232/2	230/4	97,280	19,907
May	239/2	+1/0	239/4	238/0	66,839	5,250
Jul	244/6	+0/6	245/2	243/4	63,649	5,655
Sep	249/6	+0/6	250/0	249/0	10,495	716
Dec	254/4	+0/4	254/6	253/6	50,033	4,105
Mar	261/0	+0/4	261/0	260/2	6,010	128
Total					298,405	35,668

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	102.60	-1.55	103.50	102.90	318	34
May	103.90	-1.60	105.00	104.40	79	27
Sep	98.75	-0.60	-	-	65	-
Nov	98.75	-0.20	98.90	98.70	190	30
Jan	99.90	-0.85	-	-	11	-
Total					663	91

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	549/4	+3/0	550/0	545/2	58,570	16,818
May	558/6	+3/6	559/0	554/0	31,934	4,448
Jul	565/4	+4/2	565/6	560/2	30,217	3,795
Aug	567/6	+4/2	568/0	563/4	3,557	392
Sep	570/4	+3/4	570/6	565/2	2,591	201
Nov	578/6	+4/0	579/0	574/4	16,795	2,369
Total					145,408	27,677

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	26.81	+0.33	26.85	26.33	36,394	9,280
May	25.96	+0.39	25.97	25.50	24,602	5,053
Jul	25.58	+0.40	25.83	25.13	16,182	4,790
Aug	25.30	+0.35	25.30	24.85	4,241	380
Sep	25.13	+0.40	25.15	24.73	4,700	420
Oct	24.94	+0.29	25.00	24.55	5,611	316
Total					98,517	22,083

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	154.5	-	155.0	153.9	35,537	14,096
May	157.4	-	158.0	157.0	23,198	4,832
Jul	161.3	+0.2	161.7	160.8	18,721	3,232
Aug	163.2	+0.1	163.6	162.9	5,749	547
Sep	165.1	-	165.6	164.9	4,158	400
Oct	167.2	+0.7	167.2	166.7	7,141	315
Total					101,636	24,397

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	351.5	-	-	-	-	-
Apr	341.5	-8.1	349.5	340.0	1,110	132
May	357.0	-5.5	360.0	360.0	56	5
Jun	250.0	-	-	-	-	-
Total					1,176	137

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	1908	+8	1930	1905	409	28
Mar	1914	+29	1914	1895	253	14
Apr	1912	+27	1912	1890	1,405	54
Jul	1710	+25	1715	1690	581	55
Oct	1715	+20	1715	1700	470	12
Jan	1720	+21	1720	1720	85	5
Total					3,203	168

	Close	Prev
BFI	1981	1986

Wool

Merino wool prices started to fall back from last week's 1995 peaks as soon as auctions were resumed this week, and the decline accelerated. The Eastern Market Indicator closed at 790, 28 cents lower than the previous week's close. The 19 micron quotation was 1271 cents, compared with 1341, whereas 23 micron was 672 compared with 696, and 28 micron 598 compared with 615. Crossbred prices in New Zealand and for British wools sold at a Bradford auction this week show little change, being firm or only slightly easier. Some slackening in the world wool market is not altogether unwelcome, since recent price rises have proved difficult to pass on and the fear is that any further advance might reduce long term demand for wool. The latest increase in interest rates is seen as unhelpful to consumer demand for textiles.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1002	-3	1005	987	34,179	2,708
May	1000	-6	1004	988	19,411	2,236
Jul	1010	-7	1015	999	10,522	382
Sep	1020	-7	1025	1011	13,960	373
Dec	1027	-9	1032	1021	14,841	204
Mar	1037	-9	1046	1029	12,320	1,108
Total					113,987	7,200

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1348	-12	1363	1337	28,083	2,867
May	1380	-10	1393	1367	20,300	1,297
Jul	1405	-10	1415	1393	9,858	201
Sep	1419	-10	1418	1412	3,074	200
Dec	1441	-10	1445	1435	4,524	4
Mar	1463	-10	1461	1457	8,761	157
Total					81,807	4,736

■ COCOA (ICCO) (SDR's/tonne)

Feb 1	Price	Prev. day
Daily	1016.84	1014.07

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	2730	+42	2740	2670	11,485	1,532
May	2685	+28	2697	2630	9,255	1,319
Jul	2661	+20	2673	2610	3,384	164
Sep	2660	+22	2660	2630	3,042	306
Nov	2650	+5	-	-	807	-
Jan	2650	+3	-	-	93	-
Total					28,066	3,321

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	158.20	+2.45	159.00	155.10	12,973	4,924
May	160.15	+2.50	160.95	157.50	10,389	1,286
Jul	161.20	+2.75	161.80	158.75	4,972	763
Sep	161.75	+2.85	162.00	159.50	3,114	202
Dec	160.85	+2.85	161.50	158.00	3,278	51
Mar	160.00	+3.00	-	-	315	5
Total					35,161	7,249

■ COFFEE (ICO) (US cents/pound)

Feb 1	Price	Prev. day
Comp. daily	143.54	144.02
15 day average	151.35	151.79

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.59	+0.15	-	-	920	-
May	14.64	+0.18	-	-	860	-
Jul	14.40	-	-	-	300	-
Oct	13.53	-	-	-	-	-
Jan	11.95	-	-	-	-	-
Total					2,080	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	399.70	+2.70	399.80	396.00	10,902	1,543
May	395.20	+3.20	395.00	390.50	8,187	218
Aug	382.80	+3.30	383.00	378.00	5,931	416
Oct	355.80	+3.80	354.50	352.00	2,214	61
Dec	352.30	+3.60	-	-	154	-
Mar	347.30	+3.10	346.50	343.30	482	120
Total					27,815	2,358

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.44	+0.19	14.45	14.17	52,632	6,866
May	14.36	+0.21	14.37	14.13	45,023	4,836
Jul	13.68	+0.22	13.64	13.40	31,614	1,259
Oct	13.10	+0.18	13.11	12.92	33,388	850
Mar	12.63	+0.13	12.66	12.51	8,545	297
May	12.54	+0.13	12.68	12.54	2,282	10
Total					178,131	14,261

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	94.10	+2.00	94.10	92.20	25,345	8,907
May	91.68	+2.00	91.68	89.70	18,680	5,687
Jul	89.88	+2.00	89.89	87.89	12,873	1,925
Oct	80.35	+0.95	80.45	79.20	4,270	737
Dec	74.45	+0.42	74.50	74.05	14,852	1,943
Mar	75.55	+0.40	75.55	75.15	1,637	450
Total					75,633	17,851

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.20	+1.10	105.60	104.25	18,067	1,266
May	109.10	+1.05	109.80	108.40	3,997	532
Jul	112.75	+0.85	112.80	112.20	1,066	94
Sep	116.35	+0.75	116.50	116.00	2,729	10
Nov	114.50	+0.55	115.10	115.00	2,031	10
Jan	115.50	+0.55	115.25	115.25	920	1
Total					28,873	1,893

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 2	Feb 1	month ago	year ago
2257.3	2260.4	2235.9	1749.3

■ CRB Futures (Base: 1967=100)

Feb 1	Jan 31	month ago	year ago
232.42	232.78	235.22	227.89

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.125	-0.800	73.700	73.050	18,724	5,906
Apr	72.875	-0.500	73.425	72.700	42,133	8,224
Jun	66.950	-	67.125	66.725	14,753	1,987
Aug	63.950	-0.125	64.200	63.875	5,802	585
Oct	65.000	-0.050	65.150	64.850	1,012	43
Dec	65.850	-0.150	66.150	65.850	688	277
Total					85,148	18,398

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	39.400	+0.200	39.500	39.050	4,587	3,000
Apr	39.225	+0.350	39.250	38.850	15,720	6,098
Jun	44.600	+0.025	44.700	44.450	7,291	1,478
Aug	43.700	-0.125	43.925	43.600	1,843	408
Oct	41.100	-0.175	41.300	41.100	2,238	305
Dec	41.825	-0.225	42.100	41.800	1,954	326
Total					34,438	11,651

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	42.400	-0.475	43.050	42.050	2,216	1,112
Mar	42.750	-0.700	43.500	42.525	3,440	1,898
May	43.550	-0.425	44.450	43.400	2,176	568
Jul	44.525	-0.425	45.150	44.100	1,372	198
Aug	42.325	-0.375	43.150	42.300	265	21
Feb	52.100	+0.150	52.100	51.800	48	2
Total					9,527	3,596

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
2000	173	226	44	92
2100	113	172	83	135
2200	69	128	138	188
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
2700	-	180	-	83
2800	159	128	55	128
2900	103	87	98	184
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
2700	63	165	40	180
2750	45	146	65	211
2800	28	129	98	244
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
975	35	60	8	35
1000	20	47	18	47
1025	10	37	33	62
■ BRENT CRUDE IPE	**Apr**	**Jul**	**Apr**	**Jul**
1600	91	95	38	55
1650	55	76	65	82
1700	30	52	100	112

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.24-6.34t	+0.17
Brent Blend (dated)	$17.13-7.15	+0.12
Brent Blend (Mar)	$16.88-6.90	+0.12
W.T.I. (1pm est)	$18.58-8.61t	+0.205

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$157-159	-1.0
Gas Oil	$146-147	+0.5
Heavy Fuel Oil	$99-100	+2.5
Naphtha	$162-165	-0.5
Jet fuel	$162-164	+2.0
Diesel	$150-151	+1.0

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

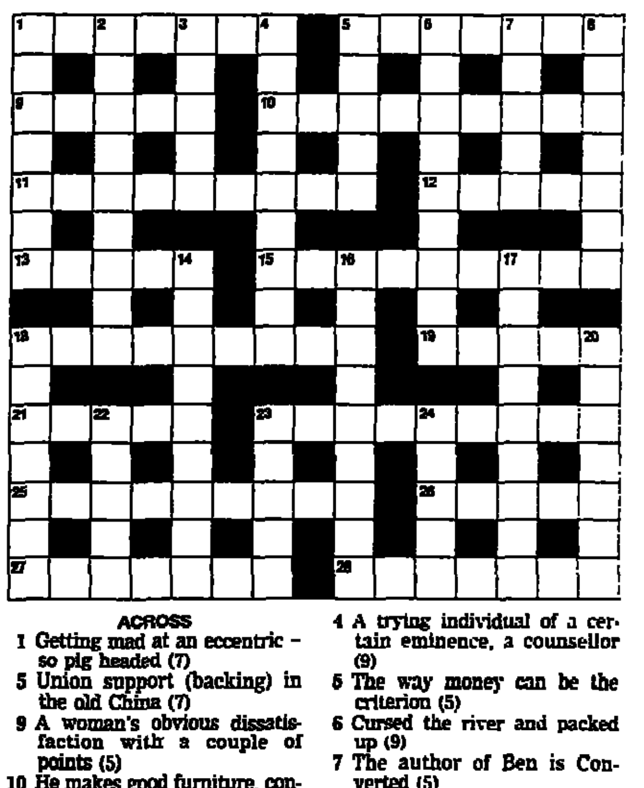
Gold (per troy oz)♣	$376.10	-0.10
Silver (per troy oz)♣	297.50c	+1.00
Platinum (per troy oz.)	$414.00	-3.5
Palladium (per troy oz.)	$157.25	-0.25
Copper (US prod.)	138.0c	-4.0
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	N/A	
Tin (New York)	268.50c	-7.00
Cattle (live weight)†	118.34p	+0.80*
Sheep (live weight)†♣	120.01p	-1.10*
Pigs (live weight)	87.31p	+3.55*
Lon. day sugar (raw)	$349.20	+1.80
Lon. day sugar (wte)	$397.00	
Tate & Lyle export	£335.00	+1.00
Barley (Eng. feed)	£110.00	-0.50
Maize (US No3 Yellow)	£141.00	
Wheat (US Dark North)	£185.00	
Rubber (Mar)♥	120.5p	
Rubber (Apr)♥	121.0p	
Rubber (KL RSS No1)	450.5m	
Coconut Oil (Phil)§	$620.0y	+5.0
Palm Oil (Malay.)§	$635.0t	+2.5
Copra (Phil)§	$400.0y	+4.0
Soyabeans (US)	£185.0q	
Cotton Outlook'A' Index	98.65c	-0.20
Wooltops (64s Super)	500p	-12

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,677 Set by VIXEN



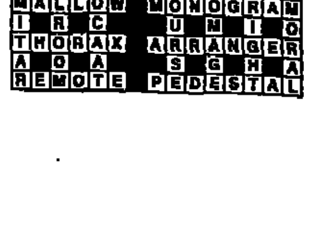
ACROSS

1 Getting mad at an eccentric – so pig headed (7)
5 Union support (backing) in the old China (7)
9 A woman's obvious dissatisfaction with a couple of points (5)
10 He makes good furniture, concerned with being in the lead (9)
11 For the confinement of the healthy young wife? (9)
12 Row involving cattle grazing (5)
13 Appear a survivor from the first (5)
15 There'll be no relaxation where over-indulgence in alcohol's concerned (9)
18 Many is the way to hold forth (9)
19 People changing colour (5)
21 Back authoritarian (5)
23 Critical of racialist characters (9)
25 Building material as a whole (9)
26 Some upkeep! Some place! (5)
27 Senator badly affected by treachery (7)
28 This may well go ahead in America (7)

DOWN

1 Friendly note written in a competent fashion (7)
2 If spare it may be served as pre-dinner drinks (9)
3 Sharp ridge offering some rare television pictures (5)
4 A trying individual of a certain eminence, a counsellor (9)
5 The way money can be the criterion (5)
6 Cursed the river and packed up (9)
7 The author of Ben is Converted (5)
8 Fish catches of considerable value (7)
14 Naturally quite unable to score (9)
16 Sees grant is arranged for translation of volume (9)
17 Works out manoeuvres (9)
18 Far from cool (7)
20 Lone Scotsman, a most sagacious man (7)
22 Egghead, age about 50, a high-flier (5)
23 Ride around a foreign country (5)
24 The official setting right oriental first lady (5)

Solution 8,676



Treasuries fall further as jobs data loom

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices added to Wednesday's losses yesterday morning as traders worried about signals that inflationary pressures were not yet under control and focused on jobs data due out tomorrow.

At midday the benchmark 30-year Treasury bond was down $\frac{5}{32}$ at 96$\frac{25}{32}$ to yield 7.766 per cent. At the short end of the market, the two-year note fell $\frac{1}{32}$ to 100$\frac{1}{32}$, yielding 7.396 per cent.

While Wednesday's 50 basis point interest rate increase was widely expected, the tough accompanying statement from the Federal Reserve was not. Many had hoped the move would be the last in the round of monetary tightening that began last February.

Observers interpreted the Fed's comments as a signal that inflationary pressures remain, which sent the long bond down more than half a point late on Wednesday. Still, the spread between the two-year and 30-year paper narrowed slightly yesterday to 37 basis points from 40 basis points. A narrowing spread is generally interpreted as a sign that the market expects slowing growth.

GOVERNMENT BONDS

Attention in the market turned yesterday to the Labour department's employment figures due out on Friday. Economists expect the January unemployment rate to hold steady at the 5.4 per cent reported for December. If the number is substantially higher or lower it is likely to set the tone for trading in the early part of this year.

Adding pressure to yesterday's market was new supply due to come into the market next week.

Some economists said yesterday that it was the Treasury's refunding announcement and not statements from the Fed that sent the market skidding in the afternoon.

■ Disappointment over the reaction of US Treasuries to the Fed's rate rise pushed European government bond markets generally lower yesterday.

However, price movements were restricted to tight trading ranges in most markets as attention shifted to US employment data due today.

"There was optimism running up to the US rate rise but now speculation has simply shifted to the timing of the next rate increase in the US," said Mr Julian Jessop, at HSBC.

■ UK government bonds rallied from the session's lows following the ½ basis point rise in UK base rates, although prices ended lower on the day.

Dealers said the rise was generally anticipated although there was some surprise at the timing of the move, coming so soon after the meeting between the Treasury and the Bank of England.

Mr Kevin Adams, gilt strategist at BZW, said: "The reaction was muted, a reflection that the rise was generally expected. But the move will certainly assist the market in the longer term. It tells us quite a lot about how aggressive [the Bank and Treasury] intend to be on rates."

Short-term interest rate futures moved higher after the rate increase. This was taken as evidence that the markets believe the future peak in base rates is now lower following the authorities' timely move to head off future inflation.

However, there was little change in longer term interest rate contracts, such as the September contract.

In late trading, the long gilt future on Liffe was down $\frac{1}{32}$ at 102$\frac{1}{32}$.

The gilt yield spread over bunds narrowed by about 5 basis points to 125 basis points.

■ German government bonds fell, although they outperformed the US market during the European session.

The March bund future on Liffe was down 0.14 at 90.24 in late trading.

"The market view is that Europe should outperform the US over the next few days but there is the possibility of further downside in all markets," said Mr Kirit Shah, at First Chicago in London.

■ French government bonds fell in spite of a successful auction of FFr20.75bn, 10-year benchmark bonds. The yield spread over bunds tightened to 63 basis points from 67 basis points.

Facility of $16.5m for Polish shipyard

By Graham Bowley

A Polish shipyard will today complete a $16.5m payment guarantee agreement, which arranger Citibank says is the first deal of its kind in eastern Europe.

SYNDICATED LOANS

The facility for the government-owned Gdynia shipyard carries a fee of 2.7 per cent a year and will finance shipbuilding over 15 months.

Citibank, which closes the deal today, has arranged several other deals this year in the emerging loan markets. It said this was evidence of the western banks' willingness to move away from their traditional corporate base, as companies in emerging markets are attracted by the pricing in international loans markets.

Last week, Citibank completed a $25m one-year pre-export financing deal for Omonium du Nord Africaine, the largest industrial group in Morocco, at a margin of 75 basis points over Libor.

Citibank also closed a two-year, $25m loan for India's Tata Iron & Steel Company at 75 basis points over Libor, and a $110m, one-year loan for Wapda of Pakistan at 110 basis points over Libor.

Elsewhere, Greece is reported to be seeking a five-year, $600m syndicated loan at 80 basis points over Libor.

A FFr2bn loan for Cerus, part of the De Benedetti empire, was signed yesterday.

It was launched by BNP, Indosuez and UBS at 50 basis points over Libor and with a 25 basis points commitment fee.

CME overtakes CBoT in January trading volume

By Laurie Morse in Chicago and Richard Lapper in London

Changes in the rankings of leading derivatives exchanges could be likely, if trading figures for January prove to be any guide for the rest of the year.

The Chicago Board of Trade has been the world's busiest futures exchange for more than a century, but its neighbour, the Chicago Mercantile Exchange, has been close at its heels since 1990.

Similarly, the London International Financial Futures Exchange has challenged the two leaders by keeping a close third in the volume race.

In January, however, CME volume increased above that of the CBoT, while Liffe, after a strong performance in 1994, posted an 11 per cent decline in volume.

The CME's sustained volume gains have come from ever-growing interest in its three-month eurodollar futures and options contracts, which are used to manage short-term interest rate risk and which become the building blocks of many over-the-counter derivatives agreements, such as swaps.

The CME's January turnover was a record 19.5m contracts, or a 37 per cent gain over January 1994.

Of that total, 13.5m were eurodollar futures or options contracts, which experienced a 70 per cent year-on-year volume growth during the month.

The CBoT's business in long and medium-term US Treasury instruments grew modestly in January, but those gains were offset by sluggishness in its agricultural sector.

Overall, the CBoT saw a 7.8 per cent decline in volume in January, to 15.5m contracts.

Liffe's total January volume was 11.3m contracts, with average daily volume during the month reaching 536,603 contracts.

DERIVATIVE INSTRUMENTS

Open interest, a good indicator of liquidity and long-term use of the market, settled at 3.7m contracts on January 31, a fall of 16 per cent on last year.

Mr Nick Durlacher, chairman of Liffe, said that "a cautious cash market" had contributed to the quiet trading at Liffe.

Volume grew by 50 per cent last year, although the increase in activity was heavily concentrated in the first half of the year, when rises in interest rates lead to a significant increase in demand for both interest rate products.

Underlying growth had slowed to 20 per cent by the end of the year. Last month Mr Daniel Hodson, chief executive, predicted growth in 1995 of between 10 per cent and 20 per cent.

The January decline reflects a sharp fall in trading in long-term bond products, with trading in the long gilt contract down by 36.5 per cent and volumes in the bund contract – Liffe's biggest – down by 8.77 per cent.

The bright spots were growth in the euromark option contract, which traded a new monthly record of 395,763 contracts, and the FT-SE 100 index option (European), which traded a record 133,295 contracts.

Campbell Soup raises finance for Pace deal

By Martin Brice

The only corporate issuer to brave the euromarkets yesterday was Campbell Soup, the US food group.

It brought the first dollar deal after the US increased interest rates by 50 basis points on Wednesday.

INTERNATIONAL BONDS

This issue was also the first dollar offering from the AA-rated Campbell since it raised $100m in September 1988. The money from yesterday's bonds will go towards paying for Pace Foods, the world's biggest maker of Mexican-style hot sauces, which Campbell bought in November for $1.1bn.

The $300m, two-year bonds were brought by Morgan Stanley, which said their 7¾ per cent coupon was the lowest on an issue in the two-year dollar sector this year.

One other issuer braved the dollar sector yesterday: the Korea Development Bank raised $80m through Nikko Europe with a three-year bond carrying a 5 per cent coupon issued at a discounted price of 92.56. Sales were to Japanese retail and some institutions, said Nikko.

The World Bank raised L150bn with a one-year, zero-coupon bond brought through IMI Bank Luxembourg, which described the deal as "a blow-out". An IMI syndicate official said: "We were not expecting such a warm response for the deal." The price of 91.975 gave the bonds a gross yield of 9.77 per cent, but sales were mostly in Italy, where the bonds gave a net yield of 8.67 per cent. IMI said this was 47 basis points below the yield on the one-year Italian government bond.

That issue followed another zero-coupon deal, a three-year L200bn bond from the Republic of Austria on Tuesday. Austria was back in the market yesterday with its first Luxembourg franc deal: LFr5bn via BIL.

The lack of primary Canadian dollar paper in the market led to Commerzbank Overseas Finance issuing C$100m of bonds carrying a 9¼ per cent coupon and a maturity of four years plus one day via Wood Gundy. This was the second Canadian dollar issue this year: the other was C$100m for LB Schleswig-Holstein.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Campbell Soup Co.	300	7.75	100.036R	Feb.1997	0.15R	+22(7¼%-97)	Morgan Stanley & Co. Intl.
Korea Development Bank	80	5.00	92.56R	Mar.1998	0.75R	-	Nikko Europe
ITALIAN LIRE							
World Bank	150bn	zero	91.975	Mar.1996	0.875	-	IMI Bank Luxembourg
CANADIAN DOLLARS							
Commerzbank O'seas Finance(a)	100	9.25	99.91R	Mar.1999	0.225R	+10(b)	Wood Gundy
LUXEMBOURG FRANCS							
Republic of Austria(c)	5bn	7.625	102.40	Sep.1999	1.75	-	BIL
De NIB(c)	2bn	7.875	102.35	Dec.2000	1.875	-	BGL/ Kredietbank Lux.
Ippa Finance Co.(a)	2bn	8.00	102.40	Jun.1999	1.625	-	BCCE
Bacob Overseas(a,d)	2bn	8.00	102.40	Jun.1999	1.625	-	Bacob Bank Luxembourg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. a) Long 1st coupon. b) Over interpolated yield. c) Short 1st coupon. d) LFr2bn launched 26/1/95 was increased to LFr4bn.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.5700	-0.110	10.23	10.40	10.12
Austria		7.500	01/05	98.3300	-0.270	7.75	7.86	7.63
Belgium		7.750	10/04	96.1900	-0.050	8.33	8.35	8.30
Canada *		9.000	12/04	98.5000	-0.250	9.23	9.38	9.04
Denmark		7.000	12/04	87.6200	-0.030	8.94	9.01	8.89
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	95.7600	-0.210	8.11	8.10	8.10
Germany Bund		7.375	01/05	99.3500	-0.230	7.47	7.45	7.51
Ireland		6.250	10/04	83.5000	-0.050	8.79†	8.76	8.77
Italy		8.500	08/04	80.4900	-0.120	12.00	11.95	11.92
Japan	No 119	4.800	06/99	102.8830	-0.160	4.04	3.78	3.89
	No 164	4.100	12/03	96.1850	-0.120	4.71	4.69	4.57
Netherlands		7.250	10/04	97.3700	-0.210	7.63	7.62	7.64
Portugal		8.875	01/04	84.2000	+0.200	11.64	11.64	11.55
Spain		10.000	02/05	89.4800	-0.110	11.73	11.75	11.51
Sweden		6.000	02/05	71.0680	-0.040	10.89	11.07	10.80
UK Gilts		8.000	06/99	90-24	-2/32	8.51	8.63	8.44
		6.750	11/04	88-03	-4/32	8.57	8.67	8.49
		9.000	10/08	103-23	-1/32	8.53	8.64	8.47
US Treasury *		7.875	11/04	101-09	-21/32	7.68	7.77	7.83
		7.500	11/24	96-28	-26/32	7.77	7.87	7.87
ECU (French Govt)		6.000	04/04	84.2200	-0.180	8.54	8.56	8.50

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.13	Two year	7.41
Prime rate	9	Two month	5.60	Three year	7.53
Broker loan rate	8½	Three month	6.05	Five year	7.84
Fed.funds	5$\frac{15}{16}$	Six month	6.49	10-year	7.68
Fed.funds at intervention	-	One year	6.96	30-year	7.76

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.32	111.26	-0.32	111.40	111.14	188,676	129,170
Jun	110.48	110.42	-0.34	110.58	110.34	1,056	6,224
Sep	109.82	109.74	-0.36	109.82	109.82	21	1,551

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	2.33	-	-	0.09	0.90	-
110	1.48	1.75	1.85	0.20	1.25	2.08
111	0.83	1.18	-	0.51	-	-
112	0.31	-	-	1.03	-	-
113	0.09	0.46	-	-	-	-

Est. vol. total, Calls 23,123 Puts 25,695. Previous day's open int., Calls 183,504 Puts 178,194.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.21	90.22	-0.16	90.30	90.11	113015	207288
Jun	89.65	89.66	-0.17	89.70	89.60	972	6957

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9000	0.57	0.57	0.76	0.92	0.35	0.91	1.10	1.26
9050	0.33	0.39	0.57	0.71	0.61	1.23	1.41	1.55
9100	0.16	0.26	0.41	0.55	0.94	1.60	1.75	1.89

Est. vol. total, Calls 13107 Puts 7846. Previous day's open int., Calls 194408 Puts 130775

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.47	99.67	+0.22	99.74	99.28	26835	54837
Jun	98.67	98.70	+0.22	98.67	98.67	5	683

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	0.86	1.62	0.69	2.42
10000	0.61	1.39	0.94	2.69
10050	0.41	1.01	1.24	2.81

Est. vol. total, Calls 2870 Puts 4963. Previous day's open int., Calls 27509 Puts 28022

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	84.43	84.33	-0.13	84.43	84.20	32,555	47,021
Jun	-	83.83	-	-	-	-	675

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-29	102-01	-0-02	102-06	101-21	57904	98493
Jun	101-31	102-08	-0-02	102-08	101-31	214	2002

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
102	0-45	1-59	0-43	1-43
103	0-19	1-28	1-17	2-12
104	0-06	1-02	2-04	2-60

Est. vol. total, Calls 2432 Puts 4194. Previous day's open int., Calls 47872 Puts 50159

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.40	81.30	-0.24	81.40	81.16	2,460	6,848
Jun	-	81.04	-0.24	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	101-04	100-31	-0-07	101-05	100-28	333,981	353,043
Jun	100-18	100-15	-0-07	100-20	100-14	10,864	28,340
Sep	100-08	100-04	-0-08	100-08	100-04	268	4,269

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.13	-	-	108.20	108.11	2929	0
Jun	107.39	-	-	107.41	107.38	310	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu Feb 2	Day's change %	Wed Feb 1	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	118.96	-0.05	119.02	1.58	1.40
2 5-15 years (22)	139.73	-0.07	139.82	1.69	1.59
3 Over 15 years (9)	155.55	-0.06	155.64	0.77	2.96
4 Irredeemables (6)	179.03	-0.10	179.22	2.56	0.00
5 All stocks (60)	136.55	-0.06	136.63	1.53	1.74
Index-linked					
6 Up to 5 years (2)	189.71	+0.01	189.69	1.72	0.00
7 Over 5 years (11)	174.16	-0.09	174.31	0.64	0.59
8 All stocks (13)	174.86	-0.08	174.99	0.73	0.53

	Low coupon yield Feb 2	Feb 1	Yr. ago	Medium coupon yield Feb 2	Feb 1	Yr. ago	High coupon yield Feb 2	Feb 1	Yr. ago
5 yrs	8.55	8.53	5.74	8.58	8.54	5.97	8.74	8.72	6.08
15 yrs	8.44	8.43	6.55	8.56	8.55	6.66	8.77	8.76	6.83
20 yrs	8.41	8.40	6.65	8.58	8.55	6.68	8.68	8.67	6.86
Irred.†	8.47	8.48	6.74						

	Inflation 5% Feb 2	Feb 1	Yr. ago	Inflation 10% Feb 2	Feb 1	Yr. ago
Up to 5 yrs	3.83	3.82	2.28	2.54	2.53	1.42
Over 5 yrs	3.89	3.88	2.95	3.70	3.69	2.78

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 2	Feb 1	Jan 31	Jan 30	Jan 27	Yr ago	High*	Low*
Govt. Secs. (UK)	91.38	91.53	91.33	91.28	90.99	105.56	107.04	89.54
Fixed Interest	109.62	109.64	109.57	109.52	109.40	131.80	133.87	108.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 1	Jan 31	Jan 30	Jan 27	Jan 26
Gilt Edged bargains	87.2	97.4	95.6	105.3	96.7
5-day average	96.5	105.4	102.7	101.2	96.1

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)							
Exch 3pc Gas 1990-95		3.02	6.20	99$\frac{7}{32}$	—	103¾	97¾
10¼pc 1995		10.09	6.88	101$\frac{19}{32}$	-$\frac{1}{32}$	107$\frac{23}{32}$	101$\frac{9}{16}$
Treas 12¾pc 1995‡‡		12.22	6.91	104⅜	-$\frac{1}{32}$	113⅝	104⅜
14pc 1996		13.16	7.12	106⅜	-$\frac{1}{16}$	117$\frac{3}{16}$	106⅞

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FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 2

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89⅛	89¼	-¼	8.36
Alberta Province 7⅞ 96	1000	98¾	99	-¼	8.01
Austria 8½ 00	400	102⅛	102⅜	-¼	7.98
United Kingdom 7⅛ 97	5500	101¼	101⅜	-⅛	6.69
Volkswagen Intl Fin 7 03	1000	94⅞	95¼	+⅛	7.85
World Bank 0 15	2000	22⅜	22⅞	+⅛	7.43
World Bank 5⅞ 03	3000	88	88⅛	-⅛	7.64
Abbey Natl Treasury 8 03 £	1000	92¾	93		9.30
Alliance Leics 11⅝ 97 £	100	105⅛	105½	-⅛	8.74
British Land 8⅞ 23 £	150	89⅞	90	-⅛	10.22
Denmark 6⅜ 98 £	800	93¾	94	-⅛	8.85

[illegible]

IE overtakes
oT in January
ding volume

DERIVATIVE INSTRUMENTS

CURRENCIES AND MONEY

MARKETS REPORT

Sterling steady as base rate rises to 6.75 per cent

Currency markets yesterday showed little response to widely expected 50 basis point rises in US and UK interest rates, *writes Philip Gawith.*

The dollar traded in a fairly narrow range after the Federal Reserve lifted the federal funds rate to 6 per cent on Wednesday evening. It closed in London at DM1.52, from DM1.5228 (before the US rate rise).

Sterling also traded in a narrow range after the Bank of England signalled a 50 basis point rise in the UK base rate to 6.75 per cent. It closed at DM2.405, from DM2.4083, and at $1.5823, from $1.5816.

Analysts are not particularly sanguine about the outlook for either currency. The dollar is vulnerable to the perception that US interest rates may have reached a plateau. It is also susceptible to further setbacks on the Mexico crisis, of which there have been signs.

In the case of sterling, there are worries that it could become the victim of politics in the second-half of the year.

Elsewhere, the Bundesbank council left its key rates unchanged, with the repo rate set at 4.85 per cent for a further two weeks. The D-Mark was little moved in Europe.

■ One interpretation for sterling's tepid response was a market perception that the rate rise was not pre-emptive in the way some of the Bank's earlier tightenings had been. Sterling is also being held back by the weak dollar.

Longer term, Mr Jeremy Hawkins, chief economist at the Bank of America in London, predicted that "political factors would start to take over." He said against the backdrop of a strong economy, the chancellor, Mr Kenneth Clarke, had been happy to accept rising rates. In the second half of the year, however, the market faced the possible scenario of slowing growth, but still rising inflation.

This set the stage for a "political battle of wills" between the governor and the chancellor, said Mr Hawkins. If Mr Clarke wins (and rates are raised by less than the Bank desires) this would be "out and out bearish for sterling."

Should, however, Mr George, the Bank's governor, prevail, markets would be concerned that Mr Clarke would try and counteract this with a "give-away" budget. Either way, said Mr Hawkins, sterling would suffer.

■ The dollar was confined to a very narrow one pfennig range during European trading. For dollar bulls, this was a disappointment, given that both of the elements seen as necessary for a stronger dollar – higher rates and resolution of the Mexican crisis – had been forthcoming.

Mr Paul Chertkow, head of global currency research at UBS in London, said the lack of movement in the dollar and sterling reflected a "very, very risk averse" market, where the D-Mark was still seen as the safe haven.

Mr Chertkow said the market had ceased, for the time being, to trade on fundamentals. "There is no rhyme or reason for any of the moves – and that's across the patch." Citing the dollar in particular, he commented: "Once confidence is eroded, it is very difficult to get it back." He said that while few fund managers were sellers of dollars at current levels, nor were they willing buyers.

Intervention, or a G7 statement saying the dollar is undervalued, would be two possible ways of boosting the currency, said Mr Chertkow. Neither, however, seems likely.

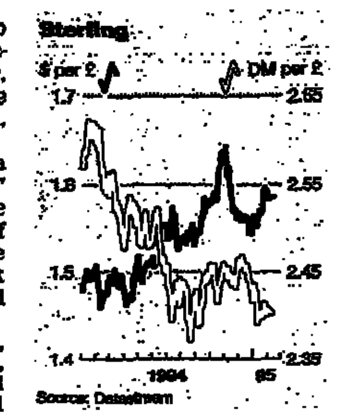
Mr Avinash Persaud, currency strategist at JP Morgan in London, reckons that a stronger dollar requires a "nasty inflation shock" (ending the current complacency), followed by evidence that the Fed is responding decisively.

An alternative view is that an economic "soft-landing" – a slowdown in growth, and subdued inflation – will help the dollar by boosting foreign asset purchases, and crimping the trade deficit.

Mr Persaud, however, argues that the gap between US and German short rates needs to be considerably higher than the current 50-100 basis points for the dollar to recover.

■ The Bank of England did not operate in the morning round. At midday, it provided £12m assistance, at 6¾ per cent, after announcing the new minimum lending rate of 6.75 per cent. It later provided a further £165 assistance at the established rate, and £495m late assistance, after forecasting a £700m shortage.

Three month LIBOR was unchanged at 6¾ per cent. The June short sterling contract finished at 92.32, from 92.31.



Source: Datastream

■ **Pound in New York**

Feb 2	— Latest —	— Prev. close —
£ spot	1.5830	1.5820
1 mth	1.5825	1.5816
3 mth	1.5814	1.5805
1 yr	1.5780	1.5760

■ **OTHER CURRENCIES**

Feb 2	£	$
Hungary	179.336 - 179.551	113.360 - 113.460
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4729 - 0.4732	0.2989 - 0.2990
Poland	3.8451 - 3.8472	2.4305 - 2.4311
Russia	6509.60 - 6515.90	4114.00 - 4118.00
U.A.E.	5.8102 - 5.8128	3.6727 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Feb 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9151	-0.0362	084 - 217	16.9830	16.8946	16.9026	0.9	16.8689	1.1	-	-	105.6
Belgium	(BFr)	49.5553	-0.0152	253 - 853	49.5853	49.4070	49.5053	1.2	49.3753	1.5	48.8903	1.4	107.2
Denmark	(DKr)	9.4652	-0.0089	608 - 695	9.4976	9.4641	9.4787	0.8	9.4674	0.8	9.4234	0.7	106.6
Finland	(FM)	7.4497	-0.0061	430 - 564	7.4720	7.4340	-	-	-	-	-	-	84.1
France	(FFr)	8.3361	-0.0082	332 - 390	8.3487	8.3156	8.3293	1.0	8.3159	1.0	8.2536	1.0	107.3
Germany	(DM)	2.4050	-0.0033	038 - 062	2.4093	2.3981	2.4021	1.5	2.3947	1.7	2.3589	1.9	109.4
Greece	(Dr)	375.231	-0.071	934 - 527	375.754	369.584	-	-	-	-	-	-	69.1
Ireland	(I£)	1.0119	-0.0004	114 - 123	1.0135	1.0086	1.0116	0.4	1.0113	0.2	1.0099	0.2	97.5
Italy	(L)	2541.17	-3.15	006 - 229	2544.17	2537.63	2544.72	-1.7	2554.07	-2.0	2599.12	-2.3	73.6
Luxembourg	(LFr)	49.5553	-0.0152	253 - 853	49.5853	49.4070	49.5053	1.2	49.3753	1.5	48.8803	1.4	107.2
Netherlands	(Fl)	2.6985	-0.0008	973 - 997	2.7026	2.6893	2.6953	1.4	2.6876	1.6	2.6507	1.8	107.1
Norway	(NKr)	10.5331	-0.0115	290 - 371	10.5606	10.5101	10.5319	0.1	10.5299	0.1	10.5203	0.1	98.2
Portugal	(Es)	248.888	-0.048	690 - 086	249.786	247.982	249.488	-2.9	251.138	-3.6	-	-	95.5
Spain	(Pta)	208.782	-0.224	666 - 858	209.328	208.257	209.052	-1.7	209.857	-2.1	213.582	-2.3	78.8
Sweden	(SKr)	11.7770	-0.0161	672 - 868	11.8220	11.7658	11.788	-1.1	11.8145	-1.3	11.9205	-1.2	80.5
Switzerland	(SFr)	2.0339	-0.0006	332 - 346	2.0368	2.0286	2.0294	2.7	2.0198	2.8	1.9728	3.0	106.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	88.6
Ecu	-	1.2735	-0.0011	727 - 742	1.2756	1.2698	1.2729	0.6	1.2716	0.6	1.2655	0.6	-
SDR†	-	0.929230	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5820	+0.0003	817 - 823	1.5870	1.5788	-	-	-	-	-	-	-
Brazil	(Cr)	1.3251	-0.0042	241 - 261	1.3313	1.3241	-	-	-	-	-	-	-
Canada	(C$)	2.2237	-0.0051	229 - 244	2.2309	2.2202	2.2261	-1.3	2.2313	-1.4	2.2439	-0.9	81.7
Mexico	(New Peso)	8.6945	+0.0671	535 - 354	8.7929	8.5081	-	-	-	-	-	-	-
USA	($)	1.5823	+0.0007	820 - 825	1.5868	1.5785	1.5818	0.4	1.5807	0.4	1.5762	0.4	85.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0862	-0.0052	849 - 875	2.0900	2.0849	2.0882	-1.2	2.0934	-1.4	2.1237	-1.8	87.8
Hong Kong	(HK$)	12.2348	+0.0039	320 - 375	12.2691	12.2081	12.2336	0.1	12.2603	-0.8	12.1601	0.6	-
India	(Rs)	49.6391	+0.0258	273 - 509	49.7780	49.5290	-	-	-	-	-	-	-
Israel	(Shk)	4.7587	-0.0026	539 - 635	4.8063	4.7472	-	-	-	-	-	-	-
Japan	(Y)	157.529	+0.228	457 - 601	158.080	156.800	157.009	4.0	155.784	4.5	149.824	4.9	147.7
Malaysia	(M$)	4.0410	+0.0022	400 - 420	4.0511	4.0331	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4694	-0.0078	676 - 711	2.4728	2.4676	2.4726	-1.6	2.4827	-2.2	2.5147	-1.8	99.2
Philippines	(Peso)	39.2398	+0.4127	545 - 251	39.3251	39.1545	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9341	+0.0026	328 - 353	5.9506	5.9203	-	-	-	-	-	-	-
Singapore	(S$)	2.2983	+0.0006	971 - 994	2.3032	2.2932	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6108	+0.0001	062 - 123	5.6278	5.5902	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4240	+0.0076	071 - 408	6.4408	6.4071	-	-	-	-	-	-	-
South Korea	(Won)	1248.00	-0.48	772 - 828	1251.51	1245.44	-	-	-	-	-	-	-
Taiwan	(T$)	41.5966	+0.0184	829 - 103	41.7090	41.5051	-	-	-	-	-	-	-
Thailand	(Bt)	39.6591	-0.0149	449 - 733	39.7650	39.5730	-	-	-	-	-	-	-

†SDR rates for Feb 1. Corrected US$ Low for Jan 31st: 1.5798. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.6905	-0.027	880 - 930	10.7010	10.6750	10.683	0.8	10.6632	1.0	10.5305	1.5	105.3
Belgium	(BFr)	31.3195	-0.0235	055 - 335	31.3336	31.2100	31.297	0.9	31.242	1.0	31.0145	1.0	105.9
Denmark	(DKr)	5.9948	-0.0062	930 - 965	6.0003	5.9800	5.993	0.4	5.9908	0.3	5.9858	0.2	105.7
Finland	(FM)	4.7083	-0.006	048 - 118	4.7171	4.6998	4.7066	0.4	4.7018	0.6	4.6933	0.3	83.1
France	(FFr)	5.2685	-0.0075	675 - 695	5.2710	5.2535	5.2659	0.6	5.2612	0.6	5.2365	0.6	106.6
Germany	(DM)	1.5200	-0.0026	195 - 205	1.5214	1.5157	1.5186	1.1	1.5151	1.3	1.4973	1.5	108.6
Greece	(Dr)	237.150	-0.15	000 - 300	237.440	233.840	240.15	-15.2	244.9	-13.1	257.3	-8.5	68.4
Ireland	(I£)	1.5637	+0.0012	632 - 642	1.5683	1.5618	1.5639	-0.1	1.5635	0.1	1.5627	0.1	-
Italy	(L)	1606.05	-2.7	560 - 650	1610.20	1602.34	1608.8	-2.1	1615.75	-2.4	1649.05	-2.7	73.1
Luxembourg	(LFr)	31.3195	-0.0235	055 - 335	31.3335	31.2100	31.297	0.9	31.242	1.0	31.0145	1.0	106.9
Netherlands	(Fl)	1.7055	-0.0009	050 - 060	1.7077	1.6997	1.7041	1.0	1.7004	1.2	1.6818	1.4	106.7
Norway	(NKr)	6.6570	-0.0103	555 - 585	6.6717	6.6398	6.6528	0.8	6.6465	0.6	6.6045	0.8	97.1
Portugal	(Es)	157.300	-0.1	200 - 400	157.950	156.750	157.685	-2.9	158.705	-3.6	163.155	-3.7	95.4
Spain	(Pta)	131.940	-0.2	900 - 980	132.240	131.650	132.165	-2.0	132.76	-2.5	135.515	-2.7	78.3
Sweden	(SKr)	7.4432	-0.0135	382 - 482	7.4682	7.4299	7.453	-1.6	7.4747	-1.7	7.5702	-1.7	80.0
Switzerland	(SFr)	1.2855	-0.0009	852 - 857	1.2860	1.2810	1.2831	2.3	1.278	2.3	1.2518	2.6	107.6
UK	(£)	1.5823	+0.0007	820 - 825	1.5868	1.5785	1.5818	0.4	1.5807	0.4	1.5762	0.4	88.2
Ecu	-	1.2425	+0.0017	420 - 430	1.2448	1.2418	1.2427	-0.2	1.243	-0.2	1.2456	-0.2	-
SDR†	-	1.47670	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0002	998 - 999	0.9999	0.9996	-	-	-	-	-	-	-
Brazil	(Cr)	0.8375	-0.003	370 - 380	0.8400	0.8370	-	-	-	-	-	-	-
Canada	(C$)	1.4054	-0.0039	051 - 056	1.4070	1.4034	1.4073	-1.7	1.4116	-1.8	1.4236	-1.3	80.6
Mexico	(New Peso)	5.4950	+0.04	700 - 200	5.5400	5.4700	5.4958	-0.2	5.4962	-0.1	5.4976	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3184	-0.0038	179 - 191	1.3223	1.3171	1.3206	-2.0	1.3252	-2.1	1.3507	-2.4	89.0
Hong Kong	(HK$)	7.7325	-0.001	320 - 330	7.7335	7.7320	7.7338	-0.2	7.7347	-0.1	7.7395	-0.1	-
India	(Rs)	31.3725	+0.0025	700 - 750	31.3725	31.3700	31.4525	-3.1	31.6975	-4.1	-	-	-
Israel	(Shk)	3.0076	-0.003	050 - 101	3.0342	3.0036	-	-	-	-	-	-	-
Japan	(Y)	99.5600	+0.1	300 - 900	99.7500	99.0700	99.26	3.6	98.56	4.0	95.055	4.5	148.9
Malaysia	(M$)	2.5540	+0.0003	537 - 542	2.5550	2.5528	2.552	0.9	2.5475	1.0	2.5315	0.9	-
New Zealand	(NZ$)	1.5606	-0.0056	598 - 615	1.5639	1.5584	1.5641	-2.7	1.5701	-2.4	1.5851	-2.2	-
Philippines	(Peso)	24.8000	+0.25	500 - 500	24.8500	24.7500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7506	3.7502	3.753	-0.8	3.7563	-0.6	3.7679	-0.5	-
Singapore	(S$)	1.4525	-0.0003	520 - 530	1.4530	1.4518	1.4475	4.1	1.4422	2.8	1.4187	2.3	-
S Africa (Com.)	(R)	3.5458	-0.0015	450 - 465	3.5465	3.5345	3.5608	-5.1	3.5918	-5.2	3.7478	-5.7	-
S Africa (Fin.)	(R)	4.0600	+0.003	500 - 700	4.0700	4.0500	4.0875	-8.1	4.1375	-7.6	4.37	-7.6	-
South Korea	(Won)	788.750	-0.65	700 - 800	789.800	788.200	791.75	-4.6	795.25	-3.3	813.75	-3.2	-
Taiwan	(T$)	26.2895	-	850 - 940	-	-	26.3095	-0.9	26.3495	-0.9	-	-	-
Thailand	(Bt)	25.0650	-0.0205	600 - 700	25.0700	25.0600	25.0775	-0.6	25.0915	-0.4	25.1175	-0.2	-

†SDR rate for Feb 1. Corrected UK£ Low for Jan 31st: 1.5788. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 1. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 2	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4 7/8	5 1/4	5 1/2	5 13/16	6 1/4	7.40	4.50	-
week ago	4 7/8	5 1/4	5 1/2	5 13/16	6 1/4	7.40	4.50	-
France	5 1/2	5 1/2	5 11/16	6 1/8	6 11/16	5.00	-	6.40
week ago	5 1/2	5 1/2	5 11/16	6 1/8	6 3/4	5.00	-	6.40
Germany	4.98	4.95	5.05	5.25	5.70	6.00	4.50	4.85
week ago	4.80	4.95	5.05	5.30	5.75	6.00	4.50	4.85
Ireland	5 1/4	5 5/8	6 1/4	6 13/16	7 1/8	-	-	6.25
week ago	5 1/4	5 5/8	6 1/4	6 13/16	7 1/8	-	-	6.25
Italy	8 7/8	8 1/2	8 7/8	9 3/8	10 1/4	-	7.50	8.20
week ago	8 1/4	8 1/2	8 13/16	9 1/2	10 1/4	-	7.50	8.20
Netherlands	4.84	5.03	5.13	5.33	5.82	-	5.25	-
week ago	4.84	5.03	5.12	5.34	5.85	-	5.25	-
Switzerland	3 7/8	3 7/8	4	4 1/4	4 1/2	6.625	3.50	-
week ago	3 3/4	3 3/4	4 1/8	4 1/4	4 5/8	6.625	3.50	-
US	5 13/16	6 1/8	6 1/4	6 9/16	7 1/8	-	5.25	-
week ago	5 7/8	6 1/8	6 1/4	6 9/16	7 1/8	-	4.75	-
Japan	2 1/4	2 1/4	2 1/4	2 1/4	2 1/2	-	1.75	-
week ago	2 1/4	2 1/4	2 1/4	2 3/8	2 1/2	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6 1/8	6 1/4	6 11/16	7 1/4	-	-	-
week ago	-	6 1/8	6 1/4	6 5/8	7 1/4	-	-	-
US Dollar CDs	-	5.95	6.15	6.49	7.16	-	-	-
week ago	-	5.95	6.15	6.53	7.20	-	-	-
SDR Linked Ds	-	4.625	4.812	5.125	5.687	-	-	-
week ago	-	4.625	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth. 5 5/8; 3 mths: 6; 6 mths. 6 3/8; 1 year 6 3/4. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 1/16 - 4 15/16	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 3/8 - 5 1/4	5 13/16 - 5 11/16	6 3/8 - 6 1/4
Danish Krone	5 1/4 - 5	5 5/8 - 5 1/2	5 7/8 - 5 5/8	6 1/4 - 6	6 5/8 - 6 3/8	7 1/16 - 7 5/16
D-Mark	5 - 4 7/8	5 - 4 7/8	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 3/4 - 5 5/8
Dutch Guilder	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/8 - 5 1/16	5 3/16 - 5 1/16	5 3/8 - 5 1/4	5 15/16 - 5 13/16
French Franc	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 1/2 - 5 3/8	5 13/16 - 5 11/16	6 1/4 - 6 1/8	6 7/8 - 6 3/4
Portuguese Esc.	8 7/8 - 8 3/4	9 - 8 7/8	9 3/8 - 9 1/8	10 - 9 3/4	10 5/8 - 10 3/8	10 7/8 - 10 5/8
Spanish Peseta	8 - 7 7/8	8 3/16 - 8 1/16	8 5/16 - 8 3/16	8 7/8 - 8 3/4	9 5/16 - 9 3/16	10 1/8 - 10
Sterling	6 - 5 3/4	6 5/8 - 6 3/8	6 5/8 - 6 1/2	6 13/16 - 6 11/16	7 1/8 - 7	7 3/4 - 7 5/8
Swiss Franc	3 15/16 - 3 13/16	3 15/16 - 3 13/16	3 7/8 - 3 5/8	4 - 3 7/8	4 1/4 - 4 1/8	4 5/8 - 4 1/2
Can. Dollar	7 3/4 - 7 1/2	7 3/4 - 7 1/2	7 15/16 - 7 13/16	8 3/16 - 8 1/16	8 3/8 - 8 1/4	8 15/16 - 8 13/16
US Dollar	6 - 5 7/8	6 1/16 - 5 15/16	6 1/8 - 6	6 3/8 - 6 1/4	6 3/4 - 6 5/8	7 3/8 - 7 1/4
Italian Lira	9 - 7 1/2	8 7/8 - 8 3/4	8 1/2 - 8 3/8	8 7/8 - 8 3/4	9 3/8 - 9 1/4	10 5/16 - 10 3/16
Yen	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 3/8 - 2 1/4	2 3/8 - 2 1/4	2 13/16 - 2 11/16
Asian $Sing	3 7/8 - 3 5/8	4 3/8 - 4 1/4	3 5/8 - 3 1/2	4 1/16 - 4 1/16	4 3/16 - 4 1/16	4 3/4 - 4 5/8

Short term rates are call for the US Dollar and Yen, others, two days' notice

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.84	93.92	+0.05	93.94	93.84	15,564	45,224
Jun	93.40	93.47	+0.03	93.48	93.39	15,391	43,274
Sep	93.07	93.12	+0.01	93.14	93.06	4,226	35,408
Dec	92.78	92.80	-	92.80	92.75	3,158	19,213

■ **THREE MONTH EUROLIRA (LIFFE)** $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.40	-0.06	[illegible]	-	-	0	1437
Jun	92.73	-0.15	[illegible]	-	-	0	535
Sep	92.30	-0.25	[illegible]	-	-	0	177
Dec	92.00	-0.26	[illegible]	-	-	0	200

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.77	94.78	-	94.78	94.76	22904	189729
Jun	94.40	94.39	-0.04	94.41	94.37	40484	183806
Sep	94.01	93.98	-0.06	94.01	93.95	16394	101206
Dec	93.62	93.58	-0.06	93.62	93.57	9600	73885

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.60	90.72	+0.08	90.74	90.60	8678	37445
Jun	90.03	90.07	+0.04	90.09	90.00	3459	25160
Sep	89.60	89.63	+0.01	89.64	89.59	1293	26126
Dec	89.29	89.32	+0.01	89.33	89.26	1432	15460

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.85	95.87	-	95.88	95.82	2773	18134
Jun	95.52	95.54	-0.01	95.55	95.50	1621	15070
Sep	95.24	95.25	-0.01	95.27	95.22	718	6603
Dec	94.98	95.00	-0.01	95.01	94.98	841	5165

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.55	93.61	+0.01	93.63	93.55	1446	9581
Jun	93.05	93.09	-	93.10	93.04	1410	8182
Sep	92.65	92.70	-	92.72	92.65	208	3615
Dec	92.26	92.28	-0.01	92.30	92.26	95	1754

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.14	16.82	4.854	2.040	5128	5.445	21.25	502.1	421.2	23.75	4.103	2.018	4.486	3.193	317.9	2.569
Denmark	(DKr)	52.24	10	8.789	2.536	1.068	2679	2.844	11.10	262.3	220.0	12.41	2.143	1.054	2.344	1.668	166.1	1.342
France	(FFr)	59.44	11.38	10	2.885	1.213	3048	3.237	12.63	298.5	250.4	14.12	2.439	1.200	2.667	1.898	188.9	1.527
Germany	(DM)	20.60	3.944	3.466	1	0.420	1057	1.122	4.378	103.5	86.78	4.894	0.845	0.416	0.924	0.658	65.49	0.529
Ireland	(I£)	49.01	9.382	8.245	2.379	1	2513	2.669	10.42	246.1	206.4	11.64	2.011	0.989	2.199	1.565	155.8	1.259
Italy	(L)	1.950	0.373	0.328	0.095	0.040	100.	0.106	0.414	9.791	8.213	0.463	0.080	0.039	0.087	0.062	6.198	0.050
Netherlands	(Fl)	18.37	3.516	3.090	0.891	0.375	941.8	1	3.903	92.22	77.35	4.362	0.754	0.371	0.824	0.586	58.38	0.472
Norway	(NKr)	47.05	9.008	7.916	2.284	0.960	2413	2.562	10	236.3	198.2	11.18	1.931	0.950	2.111	1.502	149.6	1.209
Portugal	(Es)	19.92	3.812	3.350	0.967	0.406	1021	1.084	4.232	100.	83.88	4.731	0.817	0.402	0.893	0.636	63.30	0.512
Spain	(Pta)	23.74	4.545	3.994	1.152	0.484	1218	1.293	5.046	119.2	100.	5.640	0.974	0.479	1.065	0.758	75.47	0.610
Sweden	(SKr)	42.10	8.059	7.082	2.043	0.859	2159	2.292	8.946	211.4	177.3	10	1.727	0.850	1.889	1.344	133.8	1.082
Switzerland	(SFr)	24.37	4.666	4.100	1.183	0.497	1250	1.327	5.180	122.4	102.7	5.789	1	0.492	1.093	0.778	77.47	0.626
UK	(£)	49.55	9.485	8.336	2.405	1.011	2541	2.698	10.53	248.8	208.7	11.77	2.033	1	2.223	1.582	157.5	1.273
Canada	(C$)	22.29	4.267	3.750	1.082	0.455	1143	1.214	4.737	111.9	93.88	5.295	0.915	0.450	1	0.712	70.85	0.573
US	($)	31.32	5.996	5.269	1.520	0.639	1606	1.705	6.656	157.3	131.9	7.440	1.285	0.632	1.405	1	99.56	0.805
Japan	(Y)	31.46	6.022	5.293	1.527	0.642	1613	1.713	6.686	158.0	132.5	7.473	1.291	0.635	1.411	1.004	100.	0.808
Ecu		38.92	7.451	6.548	1.889	0.794	1996	2.119	8.272	195.4	163.9	9.246	1.597	0.786	1.746	1.243	123.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6603	0.6599	+0.0012	0.6603	0.6583	21,570	79,871
Jun	0.6619	0.6624	+0.0013	0.6624	0.6618	282	3,115
Sep	-	0.6645	-	0.6645	-	8	210

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0128	1.0096	-0.0018	1.0132	1.0089	23,473	76,425
Jun	1.0188	1.0214	-0.0024	1.0217	1.0188	466	7,849
Sep	-	1.0354	-	-	-	30	663

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7811	0.7811	+0.0013	0.7818	0.7795	16,175	37,720
Jun	0.7854	0.7862	-	0.7862	0.7851	125	1,357
Sep	-	0.7910	-	0.7910	-	1	78

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5818	1.5834	+0.0028	1.5850	1.5804	11,840	37,858
Jun	-	1.5840	-	1.5840	-	30	1,381
Sep	-	1.5830	-	1.5830	-	2	6

UK INTEREST RATES

LONDON MONEY RATES

Feb 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/2 - 5 1/4	6 3/8 - 5 7/8	6 9/16 - 6 7/16	6 13/16 - 6 11/16	7 1/4 - 7 1/8	7 7/8 - 7 3/4
Sterling CDs	-	-	6 5/8 - 6 7/16	6 3/4 - 6 5/8	7 3/16 - 6 15/16	7 11/16 - 7 5/8
Treasury Bills	-	-	6 1/2 - 6 3/8	6 1/2 - 6 3/8	-	-
Bank Bills	-	-	6 9/16 - 6 7/16	6 25/32 - 6 17/32	7 - 6 7/8	-
Local authority deps.	6 - 5 7/8	6 1/16 - 5 15/16	6 9/16 - 6 7/16	6 3/4 - 6 5/8	7 3/16 - 6 15/16	7 3/4 - 7 5/8
Discount Market deps	6 3/4 - 5 1/4	6 1/4 - 6	-	-	-	-

UK clearing bank base lending rate 6 3/4 per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	3 1/2	5 1/4	5 1/2	5 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc. Ave. tender rate of discount 6.1071pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1995. Agreed rate for period Feb 26, 1995 to Mar 25, 1995, Schemes II & III 7.87pc. Reference rate for period Dec 31, 1994 to Jan 31, 1995, Schemes IV & V 6.624pc. Finance House Base Rate 7pc from Feb 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.89	92.96	+0.04	92.97	92.87	36202	78740
Jun	92.26	92.32	+0.01	92.35	92.20	45339	91013
Sep	91.80	91.88	-0.01	91.92	91.78	17405	66768
Dec	91.52	91.57	-0.01	91.61	91.46	14294	51605

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9275	0.24	0.08	0.03	0.03	0.51	0.98
9300	0.08	0.03	0.05	0.10	0.71	1.17
9325	0.01	0.01	0.01	0.28	0.94	1.40

Est. vol. total, Calls 25174 Puts 18307. Previous day's open int., Calls 141055 Puts 132579

EMS EUROPEAN CURRENCY UNIT RATES

Feb 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12826	+0.00008	-3.12	10.33	[illegible]
Belgium	40.2123	39.0781	[illegible]	[illegible]	[illegible]	[illegible]
Germany	1.94964	1.89080	[illegible]	[illegible]	[illegible]	[illegible]
Austria	13.7167	13.3819	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	0.808628	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	6.53883	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	7.43679	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	192.854	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	154.250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON ERM MEMBERS						
Greece	264.513	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1793.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	0.786749	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.525	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.575	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls [illegible] Puts [illegible]. Prev. day's open int., Calls [illegible] Puts [illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
9475	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9525	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9575	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	● Members of London Investment Banking Association	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75	* In administration	
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings Bsc Cu 2nd Pf.		97	-½	117	89¾	12.1	10.3	–
9¼pc Non-Cum Pf		117½	-¼	137½	107	47.0	10.4	–
Cater Allen	‡†N□	447	+5	*530¼	436	143.8	8.0	9.1
Close Bros	‡N	223	—	*285½	203	232.3	4.2	10.1
Gerrard & Nat.	‡†N□	488	+7	615	395	276.9	6.4	13.4
Hambros	‡N□	237	-4	472	209	418.3	7.9	14.6
7½pc Cv Pf		108	—	191	99½	140.4	8.6	–
Joseph (L)	‡†N	393	—	443	393	20.8	5.6	11.4
King & Shaxson	‡N	97	—	170	96	16.9	11.6	9.6
Kleinwort Benson	‡†N□	617	-7	693	424	623.1	3.9	10.9
Rea Bros	‡†N□	64	-2	79	53	26.6	1.9	17.9
Schroders	‡†N□	1493	+10	1574	1050	1,493	1.6	13.6
N/V	†N	1333	+10	1458	1043	305.6	1.7	12.2
Singer & Fried.	‡†N□	85	—	114	75	165.1	4.8	10.9
Union	‡†N□	88	—	*199	87	23.4	6.4	8.1
Warburg (SG)	‡N□	752	-5	1092	589	1,694	3.7	13.8
Wintrust	‡†N	229	-5	390	203	19.4	5.9	16.0

BANKS, RETAIL

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£21¾	-⅜	£25½	£19⅝	6,575	5.2	φ
ANZ A$		216	+5	278¼	171	2,842	5.7	φ
Abbey National	†N□	428	+1	523	360½	5,588	4.6	14.3
Allied Irish IE	‡†N□	289	+2	314	238	1,728	4.9	10.0
Anglo Irish IE	N□	50	—	*70	50	172.1	8.8	10.1
Asahi Y	□	730	-20¼	819¼	628	18,998	0.6	φ
Banco Bil Viz Pta	□	£19¾	—	£17	£14½	3,585	6.3	7.0
Banco Sant Pta		£23¾	—	*£30½	£23¾	3,608	8.0	6.3
Bk Ireland IE	†N□	303	+1	*319	246	1,440	4.8	8.8
Bank Scotland	‡†N□	208	-1	247	172½	2,438	3.2	11.7
9¼pc Pf		118¾	+¼	141½	108	118.6	9.7	–
9¾pc Pf		124½	+¼	148½	111¼	124.5	9.8	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Royal Bk Can	12⅝	+⅛	15⅝	11⅞	3,881	4.2
TVX Gold ♥	382½p	+6½	488½	338½	806.1	-
Toronto-Dom	9⅝	-⅛	11⅛	8⅝	2,793	4.3
Trans Can Pipe ♥	7⅞	+⅛	10⅛	7⅛	1,425	4.8

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29	—	£34	£13½	1,882	2.5	21.2
Barlow	$	£5⅜	+¼	£5¾	£3⅞	1,093	1.8	19.6
Gold Flds Prop R		141½	—	162	75	14.4	7.6	Φ
NK Props		85	—	98	85	3.42	14.1	-
SASOL	♥	478	+12	582	290	2,757	2.9	-
SA Brews	†	£14⅝	+⅛	£16⅞	£10	3,920	2.1	22.1
Tiger Oats		700	—	838	538	1,053	2.2	16.5
Tongaat-Hulett	†n	701	—	*725	356¼	638.9	2.0	20.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Rise in base rates fails to upset share prices

By Terry Byland, UK Stock Market Editor

The stock market sailed confidently through what proved to be a day of decision for interest rates in the UK, in the US and in Europe. The increases of 50 basis points in rates by the US and UK authorities had been largely discounted in London share prices, and the FT-SE 100-share Index had no difficulty in extending its recovery. Unchanged rates at the Bundesbank had also been predicted.

The market opened cautiously in the face of the higher US rates announced while London was closed, but soon moved upwards despite minor falls in government bonds as the City waited for news from the meeting between the UK chancellor of the exchequer and the governor of the Bank of England.

The Footsie had already gained about 22 points when the announcement came that the Bank was raising its key interest rate by ½ percentage point to 6.75 per cent. Equity prices came off the top on the news but there was no significant change of mood.

Strategists hoped that interest rates might now remain steady, at least for a while. However, further gains in base rates are expected later this year.

London then waited cautiously to see if Wall Street would continue to respond calmly to the Federal Reserve's upward move in its own key rates. The Dow moved slowly as it opened the new session to show a gain of 5 points in UK hours.

The final reading put the FT-SE 100 Index at 3,034.7 for a gain on the day of 17.4 points. Traders said that the market as a whole was firm, but that, in the second half of the session, attention had switched to specific corporate developments.

Chief among these was completion of the purchase by Veba, the German industrial group, of the 10.5 per cent stake in Cable and Wireless for which plans were announced a week ago. NatWest Securities, acting for Veba, bought 5.5 per cent of C&W yesterday, completing the largest single buying order ever seen in London, at an overall premium of only about 3 per cent above the C&W share price prior to announcement of the plan.

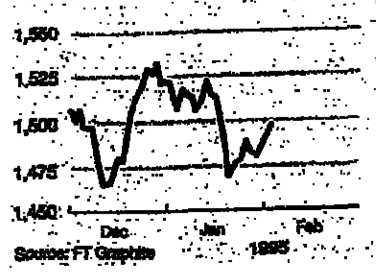
Prospects for the London market's largest recorded takeover move, Glaxo's £9bn-plus share and cash offer for Wellcome, were seen as unchanged by the announcement of record results by Wellcome. The market believes that Wellcome's chances of finding a white knight to rescue it from Glaxo are slight – so slight that Glaxo may not even have to raise its terms to complete the deal.

The focus was on the blue chip stocks, with the second line issues expected to wait until today to show their response to the interest rate developments. The FT-SE Mid 250 Index, taking in a range of non-Footsie stocks, had to be content with a rise of 6.1 to 3,383.8.

Seaq volume, at 603.9m shares, matched Wednesday's total of just above 616m. Retail, or customer, value of UK equities traded on Wednesday climbed to £1.6bn.

Equity market strategists commented that the market's performance yesterday suggested that interest rate worries had been fully absorbed at the present level of share prices.

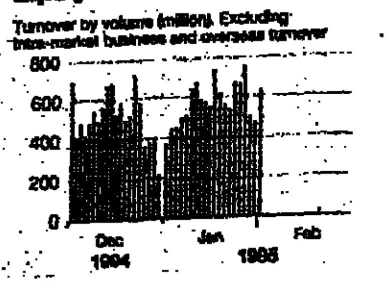
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3034.7	+17.4
FT-SE Mid 250	3383.8	+6.1
FT-SE-A 350	1513.4	+7.3
FT-SE-A All-Share	1497.19	+6.78
FT-SE-A All-Share yield	4.09	(4.10)
FT Ordinary index	2303.3	+16.9
FT-SE-A Non Fins p/e	17.80	(17.52)
FT-SE 100 Fut Mar	3039.0	+17.0
10 yr Gilt yield	8.64	(8.61)
Long gilt/equity yld ratio:	2.12	(2.11)

Best performing sectors

1. Pharmaceuticals .... +1.8
2. Gas Distribution .... +1.2
3. Electronic & Elec Eqpt .... +1.1
4. Tobacco .... +1.0
5. Consumer Goods .... +1.0

Worst performing sectors

1. Distributors .... -0.9
2. Paper, Pckg & Printing .... -0.5
3. Electricity .... -0.2
4. Banks, Merchant .... -0.2
5. Telecommunications .... -0.2

Veba closes C&W deal

UK telecoms group Cable and Wireless finished 7 ahead at 379p, as dealers predicted continued strength for the stock after NatWest Securities, acting for Veba, the German utility group, bought a further 5.5 per cent stake in the UK company to take its total holding to 10.5 per cent.

Veba last week bought a 5 per cent shareholding in Cable and Wireless and stated its intention to increase this as part of a strategic alliance between the two groups. Yesterday's move was thus far from a surprise to the market.

The stock stood at 379p before NatWest's late morning move into the market and most of the stock was bought at a strike price of 384p, well below last week's purchase price of 395p a share which traders said was oversubscribed.

One market watcher said: "The relative strength of the C&W share price suggests that the sellers have been cleared out." Another observer stated: "There are those funds that will need a full weighting in the stock even though technically there is only 90 per cent of the group's stock left in the market. This will have the effect of driving the shares forward."

Vodafone busy

Cellular phones group Vodafone, which issued a profits warning on Wednesday, was once again an active feature as analysts turned their attention to profit forecasts for the year 1995/96.

Having downgraded current year profits expectations after the group's warning, researchers yesterday moved to cut estimates for the following year. The list of downgrades included one from Hoare Govett, which lowered its forecast by £65m to £560m, though remaining positive on the stock over the long term.

The stock relinquished a penny to 181½p. Volume stood at 26.8m shares by the market close, making it the day's most actively traded issue.

Wellcome firm

Pharmaceuticals stock Wellcome rose 7 to 1005p in response to 1994 results that were broadly in line with analysts' expectations. Profits came in towards the top of the range, and while operating margins were ahead of estimates, analysts felt that part of the answer to this was lower research and development spending.

The absence of surprise elements in the face of Glaxo's £9bn-plus takeover bid left the stock market betting that Wellcome was keeping its powder dry in readiness for the defence document. Glaxo added 20 at 646p in 10m turnover – more than twice that of Wellcome – to edge up the value of its cash and share offer to 1025p.

Zeneca appreciated 19 to 901p for a two-day advance of 26 in the wake of a positive note from Smith Barney. Among health care stocks, Smith & Nephew hardened to a new high for the year of 162¾p in 4.6m turnover as analysts continued to speculate on the group's potential for a sizeable US acquisition later this year.

R-R trades heavily

A tug of sentiment set in around Rolls-Royce, boosting turnover to 18m and pushing the shares up to number two in the Footsie activity charts.

At the end of the day the shares were 1¼ easier at 157½p as the bears pressed home their advantage in the shape of a cautious trading statement (and the prospect of job cuts) from Boeing and the threat of a rights issue from Rolls-Royce this summer to finance its bid for Allison Engines, of the US.

NatWest Securities saw a one-for-five rights offer at 135p as a clear possibility, should R-R get US regulatory go-ahead for the Allison deal.

Construction and mining company Costain firmed 1½ to 24p after the group confirmed recent market speculation that it was in talks with a number of parties both in relation to the possible sale of its remaining coal mining assets in the US and in relation to the group as a whole.

Recent market speculation has suggested that international conglomerate Hanson is considering a bid for Costain. Hanson edged ahead ¾ to 232¾p in active trading of 9.4m shares.

Inchcape, the international trading group which came out with a shock profits warning a week ago, sank to a fresh low as a large line of stock came on offer. The shares dropped 11 to 301p in 1.5m turnover and traders felt that not all the outstanding shares – thought to be close to 1m – had found a home by the close of trading.

British Steel was actively traded, seeing 12m dealt to close 2½ off at 150½p. After the recent run of weakness, Siebe rebounded 12 to 519p and Simon Engineering added 4 at 82p in 3.5m turnover following a US court ruling which appeared to absolve Simon from heavy lawsuit costs.

British Aerospace continued to move ahead on the back of optimism over the group's turbo props link with Franco-Italian joint venture ATR. The deal prompted a buy recommendation from Smith New Court which helped to lift the shares 11 to 481p.

Among oil issues, Burmah improved 9 to 826p in trade of 1.1m after Strauss Turnbull issued a positive note on the stock. The oils research team at the broker believes the stock's prospective 1995 price/earnings ratio is at a 15 per cent discount to the market and should improve.

Also, Strauss predicts 10 per cent earnings growth per annum over the next 5 years "on a conservative assumption of no change in the chemicals business with margins at 5 per cent; improvements on this side could lead to earnings growth of 13 per cent".

Property shares, which underperformed the market as a whole by more than a tenth last year, have twitched into life over the past two days. Land Securities strengthened 10 to 578p for a 4 per cent advance since Tuesday. The bounce sparked sympathetic gains across the sector, with MEPC rising 4 to 380p and Greycoat 3½ to 136p.

At this stage in the interest rate cycle, it looked a bit out of place to most analysts. Trading volumes have been low and most sector watchers said a technical squeeze combined with a modest return to value selection were the key to the performances. British Land dipped 3 to 377p.

Diversified industrials were actively dealt, with Tomkins and BTR running up combined turnover of almost 12m, although the two-way pulls that developed in the stocks left little share price movement showing at the end of the day. BTR closed all-square, while Tomkins, up sharply on Wednesday on news of a planned move to the New York Stock Exchange, added a penny at 230p. Cookson advanced 6 to 222p.

Bensons Crisps tumbled 12 to 18p after the group announced a seven-for-four placing and open offer of 32.5m shares to raise £4.8m.

Talk that Thorn EMI had sold its Rumbelow shops saw the shares improve 11 to 1051p.

MARKET REPORTERS:
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 2	Feb 1	Jan 31	Jan 30	Jan 27	Yr ago	*High	*Low
Ordinary Share	2303.3	2286.4	2260.7	2253.3	2284.9	2694.0	2713.6	2238.3
Ord. div. yield	4.54	4.57	4.63	4.63	4.58	3.45	4.66	3.43
Earn. yld. % full	6.65	6.70	6.78	6.78	6.72	3.91	6.84	3.82
P/E ratio net	17.81	17.67	17.45	17.48	17.22	32.29	33.43	16.91
P/E ratio nil	16.86	16.74	16.53	16.54	16.68	29.93	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2286.3	2286.5	2296.7	2302.9	2305.0	2302.7	2303.5	2302.9	2302.1	2306.0	2284.5

	Feb 2	Feb 1	Jan 31	Jan 30	Jan 27	Yr ago
SEAQ bargains	19,842	20,707	17,602	19,529	20,059	45,613
Equity turnover (£m)†	-	1613.6	1153.3	1106.0	2284.1	2436.2
Equity bargains†	-	27,445	24,000	27,404	27,839	49,781
Shares traded (ml)†	-	625.1	471.1	502.4	770.5	916.6

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows*		LIFFE Equity options	
Total Rises	602	Total Highs	24	Total contracts	38,433
Total Falls	572	Total Lows	83	Calls	17,908
Same	1751			Puts	20,525

Feb. 2 *Data based on those companies listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	3016.0	3039.0	+17.0	3048.0	3012.0	13298	60411
Jun	3037.0	3048.5	+17.5	3057.0	3037.0	276	5356

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	3391.0	3390.0	+11.5	3391.0	3391.0	20	4044

■ FT-SE 100 INDEX OPTION (LIFFE) (*3034) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Feb	192½	3	145½	6	108½	11	61	22	30	42	11½	76	3½	124	1	174
Mar	200½	13	158½	21	120½	32½	85½	47½	54½	67½	33½	97	18	134	10	177½
Apr	212	27½	178	40	137½	53½	107½	73	80	95	58½	123	38	156	28	192½
May	231½	37	189½	50	160½	67	128½	86	103½	111	78½	137	61	170	48½	204
Jun†			283	58½			142½	96			91½	147			65½	211

Calls 5,306 Puts 6,648

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Feb	167½	3	121	6	78	14	44½	29½	19½	54½	6½	91½	2½	135½	1	185½
Mar	178½	14	138	22½	98	35½	67	53	42½	78	24½	110	12½	147½	5½	180
Apr	189	29½	154	43½	121½	61	93½	83	70	109½	50½	140	35½	175	24	213½
Jun			190½	69½			131	108			84	158½			58½	222½
Sept†			236	94			178½	132½			130	190½			91	237½

Calls 2,547 Puts 2,741 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.99	99	90½	Asset Man Inv	99		-	-	-	-
-	F.P.	1.63	7	5½	Cale. Media Wrts	5½		-	-	-	-
-	F.P.	64.0	173	133	Clydeport	155		RN3.51	-	2.8	-
$10	F.P.	34.2	625	565	First Russian Fr	570		-	-	-	-
-	F.P.	33.7	96	93	Gartmore Mic Ind	95		-	-	-	-
-	F.P.	2.91	41	38	Do. Warrants	41		-	-	-	-
-	F.P.	27.3	55	51¾	Lazard Birla India	52½		-	-	-	-
-	F.P.	3.19	32½	29¾	Do Warrants	30¾		-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
§3	F.P.	5.55	3½	3	MICE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	40.5	94	80	Matheson Lloyds	81		-	-	-	-
-	F.P.	19.0	130	95	Pentex Oil	95		-	-	-	-
182	F.P.	1,467.4	188	167	TeleWest	173		-	-	-	-
100	F.P.	17.4	102	100	Wellington Un.	101		-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Feb 1	% chg on day	Jan 31	Jan 30	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1673.81	+2.2	1637.91	1668.81	2223.47	2.28	2337.90	1637.91
■ Regional indices								
Africa (16)	2577.80	+5.3	2447.95	2435.52	2876.80	5.33	3711.87	2304.45
Australasia (7)	1943.81	-2.4	1991.63	2050.03	2945.35	0.88	2965.58	1991.63
North America (11)	1368.29	+1.5	1348.18	1370.85	1924.91	0.82	1924.91	1348.18

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 2 : 197.4 : day's change: +11.4 Year ago: 231.7 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 2	Day's chge%	Feb 1	Jan 31	Jan 30	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3034.7	+0.6	3017.3	2991.6	2995.9	3491.5	4.27	7.32	16.16	3.28	1159.86
FT-SE Mid 250	3383.8	+0.2	3377.7	3370.4	3382.3	4152.8	3.74	6.46	18.46	7.28	1277.60
FT-SE Mid 250 ex Inv Trusts	3393.9	+0.2	3388.3	3383.0	3394.6	4160.2	3.89	6.98	17.21	7.66	1279.70
FT-SE-A 350	1513.4	+0.5	1506.1	1495.4	1498.3	1767.3	4.15	7.13	16.63	2.00	1183.93
FT-SE-A 350 Higher Yield	1539.1	+0.6	1530.2	1522.1	1528.9	1774.3	5.19	7.84	15.69	2.74	989.92
FT-SE-A 350 Lower Yield	1487.3	+0.4	1481.5	1468.4	1472.3	1715.6	3.11	6.61	17.70	1.29	981.24
FT-SE SmallCap	1710.44	+0.1	1708.90	1706.44	1710.59	2091.07	3.39	6.56	19.06	2.84	1339.13
FT-SE SmallCap ex Inv Trusts	1690.84	+0.1	1689.31	1688.85	1692.32	2055.98	3.59	7.36	17.22	3.00	1328.25
FT-SE-A ALL-SHARE	1497.19	+0.5	1490.41	1480.56	1483.45	1754.48	4.09	7.08	16.80	2.02	1191.16

■ FT-SE Actuaries All-Share

	Feb 2	Day's chge%	Feb 1	Jan 31	Jan 30	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2659.39	+0.7	2641.78	2637.49	2646.41	2665.38	3.54	5.09	24.81	0.00	1073.65
12 Extractive Industries(7)	3566.04	-0.1	3569.71	3561.69	3586.35	4023.67	3.40	5.46	22.65	0.00	984.02
15 Oil, Integrated(3)	2653.84	+0.9	2630.95	2628.33	2636.25	2579.05	3.67	5.66	22.00	0.00	1095.93
16 Oil Exploration & Prod(15)	1904.85	+0.3	1899.22	1886.96	1886.09	2001.38	2.57	‡	‡	0.00	1102.11
20 GEN INDUSTRIALS(278)	1789.48	+0.5	1781.27	1770.57	1779.33	2223.52	4.36	6.96	20.04	1.51	921.22
21 Building & Construction(36)	950.15	+0.2	948.06	945.10	947.28	1527.94	4.08	6.51	20.04	0.00	780.23
22 Building Matls & Merchs(31)	1706.11	+0.8	1691.97	1675.62	1693.57	2353.18	4.47	6.48	18.63	0.20	812.07
23 Chemicals(23)	2202.14	+0.4	2192.68	2186.65	2212.70	2512.22	4.29	4.94	25.12	0.50	984.15
24 Diversified Industrials(17)	1755.62	+0.2	1752.13	1737.29	1740.41	2214.63	5.31	6.48	17.80	3.06	910.60
25 Electronic & Elect Equip(38)	1843.08	+1.1	1823.24	1816.00	1815.78	2248.00	4.12	6.90	17.02	1.74	911.58
26 Engineering(72)	1724.37	+0.7	1712.51	1704.23	1708.95	2000.04	3.60	5.68	20.67	2.36	995.33
27 Engineering, Vehicles(13)	2040.93	+0.5	2031.32	2017.93	2029.13	2509.51	4.90	1.70	80.00†	0.18	998.16
28 Paper, Pckg & Printing(26)	2692.26	-0.5	2705.91	2690.58	2712.86	2936.19	3.27	6.01	19.27	0.00	1065.85
29 Textiles & Apparel(21)	1458.82	+0.4	1454.71	1455.83	1460.86	2019.39	4.64	6.72	18.34	0.17	835.90
30 CONSUMER GOODS(96)	2839.33	+1.0	2812.09	2785.38	2776.69	3012.28	4.29	7.20	16.22	7.20	989.29
31 Breweries(18)	2212.74	+0.3	2205.85	2191.90	2194.16	2577.80	4.33	8.13	14.83	10.38	1012.99
32 Spirits, Wines & Ciders(10)	2564.41	+0.7	2546.06	2510.59	2511.56	3180.14	4.44	7.67	15.40	26.30	875.60
33 Food Producers(24)	2320.21	-0.1	2321.45	2307.00	2310.64	2554.99	4.22	7.59	15.64	3.92	988.83
34 Household Goods(10)	2492.33	+0.3	2485.47	2469.88	2462.89	2866.35	3.57	6.63	18.15	0.45	903.07
36 Health Care(18)	1591.96	+0.7	1581.30	1576.64	1574.13	1908.43	3.14	3.47	40.07	0.58	930.04
37 Pharmaceuticals(13)	3464.15	+1.8	3401.76	3347.00	3318.32	3170.44	4.00	6.21	18.67	0.00	1111.25
38 Tobacco(2)	3745.43	+1.0	3707.00	3739.37	3717.37	4282.63	5.74	9.73	11.22	0.00	854.38
40 SERVICES(201)	1851.06	+0.3	1845.36	1828.75	1836.50	2171.29	3.39	7.31	16.53	2.64	918.72
41 Distributors(32)	2263.82	-0.9	2283.70	2274.86	2286.68	3296.69	4.13	13.74	8.61	1.53	791.55
42 Leisure & Hotels(29)	2080.17	+0.5	2068.82	2041.68	2036.35	2345.40	3.46	5.79	20.67	7.18	1036.05
43 Media(43)	2739.07	+0.3	2730.31	2684.68	2684.10	3296.19	2.58	5.72	20.49	1.92	954.39
44 Retailers, Food(16)	1795.81	+0.6	1785.44	1788.23	1813.27	1640.75	3.67	8.93	13.72	2.32	1085.18
45 Retailers, General(45)	1525.09	+0.3	1521.20	1506.52	1510.40	1824.69	3.51	7.64	16.23	1.97	831.12
48 Support Services(36)	1462.47	+0.1	1460.66	1449.24	1453.95	1882.77	2.88	6.59	17.88	0.36	895.91
49 Transport(21)	2164.82	+0.4	2156.94	2134.32	2161.04	2805.98	3.93	8.79	17.37	3.92	956.35
51 Other Services & Business(7)	1194.84	-0.1	1196.58	1203.51	1203.51	1353.12	3.74	3.79	38.01	4.78	1040.75
60 UTILITIES(37)	2338.05	....	2337.82	2346.97	2349.54	2742.30	4.58	7.97	16.29	6.08	920.90
62 Electricity(17)	2401.56	-0.2	2407.49	2436.99	2437.91	2800.58	4.06	10.53	11.33	17.55	1026.75
64 Gas Distribution(2)	2049.05	+1.2	2024.09	2008.10	1999.74	2336.25	5.85	‡	‡	0.00	962.42
66 Telecommunications(5)	1972.94	-0.2	1976.81	1963.16	1968.97	2423.12	4.14	7.58	16.12	0.00	856.26
68 Water(13)	1674.06	-0.1	1675.05	1675.11	1677.76	2126.79	5.96	14.34	7.61	4.62	853.62
69 NON-FINANCIALS(667)	1625.30	+0.5	1617.33	1608.60	1611.71	1858.93	4.06	6.83	17.60	2.59	1162.72
70 FINANCIALS(119)	2088.33	+0.3	2082.09	2065.62	2058.45	2727.75	4.67	9.61	12.07	0.35	833.94
71 Banks, Retail(8)	2727.32	+0.4	2717.71	2675.63	2676.84	3573.77	4.49	10.35	11.01	0.00	821.32
72 Banks, Merchant(6)	3088.36	-0.2	3095.18	3048.94	3069.03	3754.16	3.60	9.03	12.92	0.00	938.00
73 Insurance(27)	1148.99	-0.1	1150.58	1137.21	1142.59	1554.85	5.75	10.26	11.12	0.39	794.71
74 Life Assurance(6)	2291.40	+0.7	2276.18	2258.25	2255.26	2847.87	5.58	8.13	15.00	0.00	886.80
77 Other Financial(23)	1849.88	+0.3	1845.05	1843.71	1848.46	2272.21	4.03	8.02	14.74	2.11	1000.49
79 Property(46)	1373.91	+0.5	1367.06	1352.68	1354.61	1869.49	4.36	7.76	16.17	0.67	797.58
80 INVESTMENT TRUSTS(133)	2577.00	+0.3	2570.06	2551.31	2562.99	3179.20	2.43	2.07	48.31	2.65	871.57
89 FT-SE-A ALL-SHARE(919)	1497.19	+0.5	1490.41	1480.56	1483.45	1754.48	4.09	7.08	16.80	2.02	1191.16
FT-SE-A Fledgling	985.37	....	985.55	985.22	987.36	-	2.92	-	-	1.78	987.13
FT-SE-A Fledgling ex Inv Trusts	989.56	....	988.66	988.98	990.97	-	3.07	-	-	1.86	990.43

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3018.2	3016.3	3026.9	3033.3	3038.5	3035.3	3036.4	3036.4	3033.8	3039.3	3013.5
FT-SE Mid 250	3377.8	3378.8	3383.1	3384.4	3386.3	3386.5	3386.0	3384.6	3383.0	3386.8	3377.8
FT-SE-A 350	1506.4	1506.8	1510.3	1512.9	1515.1	1513.9	1514.3	1513.7	1512.9	1515.4	1504.6

Time of FT-SE 100 Day's high: 11.24pm Day's low: 8.40am. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrn	888.7	890.2	889.2	891.1	890.8	890.1	890.2	889.5	888.9	888.5	888.5	nc
Pharmaceuticals	3383.4	3377.8	3384.7	3421.1	3422.5	3422.8	3422.5	3440.2	3433.2	3435.9	3373.3	+62.6
Water	1669.1	1669.1	1668.6	1670.2	1670.6	1671.1	1671.9	1669.5	1667.9	1667.9	1669.9	-1.0
Banks, Retail	2751.8	2758.2	2770.9	2770.5	2774.2	2761.9	2763.6	2762.3	2760.3	2762.1	2752.4	+9.7

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	2,400	349	+1
ASDA Group†	10,000	67¼	
Abbey National†	2,800	426	+1
Albert Fisher	201	44	-1
Allied Domecq†	1,900	520	-2
Anglian Water	101	465	-4
Argos	1,200	347	
Argyll Group†	5,700	275	+6
Arjo Wiggins†	905	223	-5
Assoc. Brit. Foods†	878	590	-1
Assoc. Brit. Ports	513	277	
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 2 / Sch)

BELGIUM/LUXEMBOURG (Feb 2 / Frs.)

CZECH REP (Feb 2 / Korunas)

DENMARK (Feb 2 / Kr)

FINLAND (Feb 2 / Mks)

FRANCE (Feb 2 / Frs.)

GERMANY (Feb 2 / Dm.)

GREECE (Feb 2 / Drachma)

ITALY (Feb 2 / Lire)

NETHERLANDS (Feb 2 / Fl.)

NORWAY (Feb 2 / Kroner)

POLAND (Feb 1 / Zloty)

PORTUGAL (Feb 2 / Escudo)

SPAIN (Feb 2 / Pts.)

SWEDEN (Feb 2 / Kronor)

SWITZERLAND (Feb 2 / Frs.)

TURKEY (Feb 2 / Tk Lira)

PACIFIC

JAPAN (Feb 2 / Yen)

HONG KONG (Jan 30 / H.K.$)

INDONESIA (Feb 2 / Rupiah)

MALAYSIA (Jan 27 / MYR)

NEW ZEALAND (Feb 2 / NZ $)

SINGAPORE (Feb 2 / S$)

AUSTRALIA (Feb 2 / Aus$)

SOUTH KOREA (Feb 2 / Won)

TAIWAN (Jan 26 / TW $)

THAILAND (Feb 2 / Baht)

AFRICA

SOUTH AFRICA (Feb 2 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 2 / Can $) 4 pm close

MONTREAL (Feb 2 / Can $) 4 pm close

INDICES

	Feb 2	Feb 1	Jan 31	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(c) 15341.33	15016.51	25470.40	16/2/94		13836.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1858.5	1833.1	1830.6	2340.60	3/2/94	1830.60	31/1/95
All Mining(1/1/80)	840.4	828.1	838.2	1138.10	3/2/94	828.10	1/2/95
Austria							
Credit Aktien(30/12/84)	363.34	368.48	371.23	480.86	2/2/94	363.34	2/2/95
Traded Index(2/1/91)	975.44	991.57	993.27	1222.25	1/2/94	975.44	2/2/95
Belgium							
BEL20 (1/1/91)	1362.67	1358.08	1353.09	1542.65	8/2/94	1326.39	7/10/94
Brazil							
Bovespa (29/12/83)	(c) 38698.0	38050.0	50116.00	13/9/94		3860.90	3/1/94
Canada							
Metals Minls♦(1975)	(c) 3998.20	3908.44	4326.07	19/1/95		3298.08	20/4/94
Composite♦ (1975)	(c) 4019.11	4017.48	4888.90	22/3/94		3852.99	24/6/94
Portfolio§§ (4/1/83)	(c) 1964.05	1961.38	2182.89	1/2/94		1890.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(c) 5487.0	5410.6	5794.40	21/11/94		3891.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	354.20	353.31	349.98	415.79	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1814.8	1827.5	1809.7	1972.60	4/2/94	1581.10	3/1/94
France							
SBF 250 (31/12/90)	1202.04	1207.05	1191.14	1585.29	2/2/94	1178.32	23/1/95
CAC 40(31/12/87)	1816.10	1827.78	1797.90	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	765.60	765.54	758.53	859.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2173.3	2174.0	2147.90	2465.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2045.25	2048.43	2021.27	2271.11	18/5/94	1980.59	7/10/94
Greece							
Athens SE(31/12/80)	819.82	806.08	803.92	1194.58	18/1/94	803.92	31/1/95
Hong Kong							
Hang Seng(31/7/64)	(c)	(c)	(c) 12201.09	4/1/94		6867.93	23/1/95
India							
BSE Sens.(1979)	3599.29	3569.66	3618.54	4628.57	12/9/94	3411.04	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	440.50	434.65	433.63	612.09	5/1/94	432.96	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1898.62	1861.22	1845.82	2082.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	674.49	672.28	660.57	817.17	10/5/94	584.84	13/12/94
MIB General (2/1/95)	1056.0	1062.0	1044.0	1074.00	23/1/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18604.30	18739.47	18649.82	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	265.83	268.65	268.61	311.71	13/6/94	254.89	23/1/95
Japan							
Topix (4/1/68)	1455.25	1464.14	1463.84	1712.73	13/6/94	1390.68	23/1/95
2nd Section (4/1/68)	1910.09	1909.38	1904.18	2542.66	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	(c)	(c)	(c) 1314.46	5/1/94		840.87	24/1/95
Mexico							
IPC (Nov 1978)	(c) 1997.79	1964.00	2881.17	8/2/94		1899.99	31/1/95
Netherland							
CBS TtlRtnGen(End 83)	440.0	441.4	439.2	454.89	31/1/94	405.20	21/6/94
CBS All Shr (End 83)	276.1	276.9	275.6	294.88	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1968.09	1957.05	1939.82	2480.64	3/2/94	1878.89	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1139.01	1142.87	1137.80	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2457.29	2476.89	2420.11	3308.37	4/1/94	2374.88	24/1/95
Portugal							
BTA (1977)	2785.7	2754.6	2732.8	3228.89	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	512.25	(c)	(c)	641.81	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1623.7▼	1585.1	1507.0	2604.80	7/9/94	1405.29	30/1/95
JSE Indl. (28/9/78)	6461.5▼	6373.1	6220.1	6984.40	30/12/94	5449.09	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	943.35	(c)	(c) 1138.75	8/11/94		855.37	2/4/94
Spain							
Madrid SE (30/12/85)	284.70	283.98	281.45	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvarldsGen (1/2/37)	1531.70	1531.40	1513.40	1803.89	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1223.91	1219.32	1205.05	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	904.55	909.26	894.88	1059.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6307.85	(c)	(c) 7191.13	30/9/94		5194.93	19/3/94
Thailand							
Bangkok SET (30/4/75)	1241.53	1238.53	1217.74	1753.73	4/1/94	1191.28	23/1/95
Turkey							
Istanbul Comp.(Jan 1986)	25814.8	25341.8	25228.7	29145.10	2/12/94	12880.79	24/3/94
WORLD							
MS Capital Intl (1/1/70)$	608.5*	608.8	608.3	659.88	2/11/94	581.50	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1312.86	1313.47	1297.31	1549.19	31/1/94	1286.45	5/10/94
Euro Top-100 (26/6/90)	1168.36	1168.16	1158.24	1311.81	2/2/94	1138.48	5/10/94
JCapalDrgns (31/12/88)	(c)	274.79	273.39	365.19	5/1/94	261.46	23/1/95
Barings Emerg.(7/1/92)	142.16	142.18	134.07	191.78	26/9/94	134.07	31/1/95

US INDICES

Dow Jones	Feb 1	Jan 31	Jan 30	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3847.56	3843.86	3832.08	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.06	94.67	94.47	105.61 (21/1/94)	93.56 (30/12/94)	105.77 (18/10/93)	54.99 (1/10/81)
Transport	1493.69	1493.48	1503.24	1862.29 (2/2/94)	1371.88 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	192.72	193.12	192.53	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3886.25 (3872.12) Low 3809.21 (3808.54) (Theoretical♦)
Day's high 3867.75 (3861.80) Low 3831.41 (3826.38) (Actual♦)

Standard and Poors	Feb 1	Jan 31	Jan 30	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	470.40	470.42	468.51	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials▼	555.10	554.47	552.23	583.18 (28/10/94)	510.05 (21/4/94)	583.18 (28/10/94)	3.62 (21/6/32)
Financial	43.82	43.93	43.87	48.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	256.80	255.93	254.90	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	436.92	435.38	433.64	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	758.31	755.20	751.83	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 27	Jan 20	Jan 13	Year ago
Dow Jones Ind. Div. Yield	2.79	2.77	2.73	2.67
	Feb 1	Jan 25	Jan 18	Year ago
S & P Ind. Div. yield	2.42	2.43	2.40	2.612
S & P Ind. P/E ratio	18.96	18.90	19.06	26.96

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
EMC Corp	10,170,200	17	-1⅛
Ford Motor	9,568,900	25	-⅛
Telefonos	9,050,300	34⅛	-1⅛
Santa Fe	5,833,400	16⅛	+⅛
RJR Nabisco	5,247,580	6	+⅛
Wal-Mart	4,707,400	23⅞	+⅛
Vodafone	4,701,608	29	-1⅛
Shawmut	4,505,200	21⅛	+1½
Gen Motors	4,178,300	39⅛	+⅛
Citicorp	3,898,100	40⅛	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Feb 1	Jan 31	Jan 30
New York SE	395.305	409.521	318.538
Amex	15.928	14.852	12.171
NASDAQ	298.288	278.185	240.608
NYSE			
Issues Traded	2,913	2,914	2,916
Rises	1,258	1,281	820
Falls	926	910	1,387
Unchanged	729	713	709
New Highs	47	47	36
New Lows	39	73	81

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40							
Feb	1825.0	1823.0	-11.0	1840.0	1822.0	15,496	24,230
Mar	1834.5	1830.5	-11.0	1846.0	1830.0	1,061	22,057
■ DAX							
Mar	2052.5	2063.0	-8.0	2080.5	2047.5	15,089	N/A
Jun	2068.5	2072.5	-6.5	2079.0	2068.5	1,973	N/A
■ OMX							
Feb	1170.00	1171.75	-3.00	1176.00	1169.50	2,918	19,359
Mar	1179.00	1178.50	-2.50	1179.00	1178.50	60	800
■ SOFFEX							
Feb	2564.0	2565.0	+1.4	2568.5	2557.0	3,094	16,228
Mar	-	2572.5	-	-	-	38	506
■ S&P 500							
Mar	471.85	471.80	-0.10	472.35	471.35	72,449	192,877
Jun	475.80	476.00	-0.10	476.00	475.55	1,218	14,336
■ Nikkei 225							
Mar	18750.0	18690.0	-120.0	18760.0	18580.0	30,685	123,224
Jun	18750.0	18730.0	-180.0	18760.0	18650.0	1,124	6,485

Open interest figures for previous day.

** Sat Jan 28: Taiwan Weighted Price (c); Korea Comp Ex 925.56. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 2 - 2038.46 -6.98

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, February 2, 1995

	Stocks Traded	Closing Prices	Change on day
Penta Ocean	29.6m	915	-31
Fudo Const	28.6m	1380	+70
Sumitomo Const	14.9m	797	+7
Toyo Const	14.7m	798	-7
Aoki Corp	13.5m	651	-44
Toyo Tire & Rub	11.1m	567	+7
Sumitomo Hvy Ind	10.9m	416	-11
Gunma Bank	7.2m	1060	
General Sekiyu	6.0m	853	-7
Daisue Const	5.9m	746	-17

4 pm close February 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev Close
17⅞	11⅞	AAR	0.48	3.6	24	111	13⅞	13½	13½	-⅜
21⅞	12⅞	A L Labs A	0.18	0.9	44	308	19½	19½	19½	
79⅞	57⅞	AMP	1.84	2.6	20	4316	71¼	70½	70⅝	-½
72¾	48⅛	AMR			25	2253	57⅜	56⅜	56½	-¼
58⅛	38⅝	ASA	2.00	4.5	39	807	44½	43⅜	44½	+⅞
35⅞	25⅞	AbbotL	0.76	2.2	18	11004	35¼	34½	34¾	-½
15¼	11⅞	Abitibi Pr	0.50	3.7	12	67	13⅝	13⅜	13⅝	+⅛
24⅞	17¼	ABM Ind	0.60	2.5	14	27	23⅞	23⅝	23¾	+⅛
18	11⅛	Acptncin			12	10	16¼	16	16	
31	20¾	ACE Ltd	0.44	1.8	8	54	24¾	24⅝	24¾	
12½	9	ACM Gvt In x	1.09	11.8	8	149	9⅞	9¼	9¼	
10⅛	6⅞	ACM GvOpp x	0.80	11.0		106	7¼	7⅛	7¼	
10⅝	6¼	ACM Gvt Sp x	0.96	13.2		124	7¼	7⅛	7¼	
12	7⅞	ACM Gvt Se x	1.09	13.1		372	8⅜	8¼	8⅜	+⅛
11¾	7⅜	ACM Mun x	1.08	14.2		467	7⅞	7⅝	7⅝	-⅛
9¼	7¼	ACM Mangd x	0.72	9.6		54	7½	7⅜	7½	+⅛
16¼	8¾	AcmeClv	0.48	3.1	9	167	15½	15¼	15⅜	
19⅞	6½	Acme Elect			18	165	18	17½	17½	-⅛
33½	23	Acordia	0.60	1.9	16	56	32	31¾	32	+¼
13¾	5¾	Actava	0.36	4.0	2	43	9	9	9	
18⅞	11¼	Acuson			27	1346	16¾	16⅞	16⅝	+¼
18⅞	15½	Adams Expr	0.36	2.3	0	70	16	15⅞	15⅞	
84½	46½	Ad Micro	3.00	4.9		50	60⅞	60¼	60⅞	+⅝
32¾	16¾	AdvMic	3.00	9.7	9	8932	31	29¾	31	+¾
6⅞	5	Advest Grp	0.16	2.9	27	z100	5½	5½	5½	
20	15	Advo Inc	0.10	0.6	14	13	17½	17⅜	17½	+⅛
66⅛	49⅜	Aegon ADR	1.47	2.3	12	6	64¼	64	64	-⅜
5	3⅛	Aerlix			7	42	4	3⅞	4	
65¾	42¼	AetnaL	2.76	5.6	6	967	49¼	48⅞	49¼	+¼

Continued on next page

NYSE CO

AMEX COM

Have your FT
W

Financial Times, W

4 pm close February 2

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
35¼	30¼	SFePPipe	2.80	8.2	8	49	34½	34¼	34¼	+⅛
28¼	12⅛	SanFeP	0.10	0.5	17	23058	18⅝	18¼	18½	+⅛
26⅝	19⅜	SaraLee	0.68	2.6	52	3652	26	25⅝	25⅞	
50¼	41	Scana Corp	2.82	6.4	13	382	44⅛	44	44⅜	+⅛
20½	12½	Scecrp	1.00	6.1	10	0384	16½	16⅛	16⅜	-⅛
13⅞	8¼	SchawkA	0.28	2.8	35	8	10	9⅞	10	+⅛
45½	31¾	ScheringP			28	539	44⅞	44⅜	44¾	-⅛
78⅞	54½	SchrPl	2.04	2.6	16	2931	77⅞	77	77½	+⅜
63	50	Schlmb	1.20	2.3	23	5067	53¼	52½	53	+½
40¾	23¾	Schwab(C)	0.36	0.9	17	3755	u41⅛	40⅞	40⅞	+⅛
10¼	6⅛	Schweitzer			6	11	8½	8½	8½	+⅛
22¾	12½	SciAtl	0.06	0.3	28	2920	20¾	19⅞	20⅝	+1⅛
18¼	13	Scotsman	0.10	0.6	12	58	17⅛	17⅛	17⅛	-⅛
74½	37¾	ScottP	0.80	1.1	20	3306	73⅞	71	73¾	+3⅛
31	23	Scripps	0.44	1.6	17	501	28¼	27⅞	28¼	+¼
28⅝	15⅞	ScudderNAsF	0.02	0.1		55	17	16⅝	16⅝	-⅜
12⅝	8¼	ScudderNEuF	0.16	1.8		320	9	8⅞	8⅞	-⅛
18¼	12	SeaCoB	0.70	4.9	8	10	14¼	14¼	14¼	+¼
16½	14¼	SeaC1.4625	1.46	9.5		2	15⅜	15⅜	15⅜	
28	22⅞	S'gate			7	1124	25⅞	25⅝	25⅞	+⅛
[illegible]										

- V -

[illegible]

- W -

[illegible]

- T -

[illegible]

- U -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 2

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close February 2

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

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AMERICA

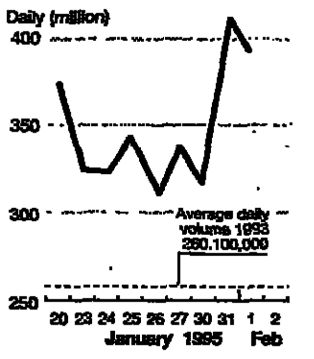
Investors torn between bonds and earnings

Wall Street

US shares edged up yesterday morning as investors were torn between following a declining bond market, or tracking a batch of better than expected corporate earnings reports, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was up 9.42 at 3,856.98. The more broadly traded Standard & Poor's 500 firmed 0.55 to 470.95 and the American Stock Exchange composite moved 0.91 higher to 437.83. The Nasdaq composite gained 3.50 at 761.81.

Trading volume on the New York SE was active at 184m shares.



As investors recovered from Wednesday's widely-expected interest rate increase they turned their focus to figures on employment due out tomorrow. Economists expected the January unemployment level to hold steady at the 5.4 per cent reported for December; but a substantially lower figure could reignite fears of inflation, and raise concerns about another interest rate increase.

Comments from the Federal Reserve, which were released on Wednesday together with the announcement of the 50 basis rate increase, led many to speculate that the move would not be the last in the current round of tightening which was begun in February 1994.

In its statement, the Fed said that in spite of "tentative signs of moderation in growth, economic activity has continued to advance at a substantial pace."

Such hints of inflationary pressures sent the long bond and the dollar down in morning trading.

Earnings reports provided generally good news for the market as a number of companies presented investors with stronger-than-expected figures for the fourth quarter of last year.

Companies exceeding analysts' expectations included: ITT, rising $3⅜ at $92⅝, Avon Products, up $1⅛ at $56⅞, Colgate Palmolive, which climbed $¼ at $62, and Browning Ferris, $⅞ up at $32.

MBIA, the municipal bond insurer, lost $1⅛ at $59 in spite of reporting stronger than expected earnings. The insurer reported earnings per share of $1.53 for the fourth quarter, while analysts had expected a result closer to $1.49.

Scios Nova, which was unchanged at $7⅞, reported a lower than expected loss for the fourth quarter.

Ryland Group was also unchanged through the morning with its shares at $14½ after the construction group reported earnings below expectations.

Shares in Rubbermaid gained $1 at $31⅝ after the company reported earnings in line with analysts' estimates.

Salomon shares rose $½ at $38¼ after the company reported a loss for the fourth quarter. The securities house attributed nearly two-thirds of the loss to a one-time charge taken to correct bookkeeping errors.

Canada

Toronto was led higher at midday by an active golds sector, the gold and precious metals index rising 174.01 to 8,693.60 as the TSE 300 composite index put on 23.18 at 4,042.29.

American Barrick extended Wednesday's gains, rising C$⅞ to C$29¼ in 1.01m shares on its statement that future growth would come primarily from lucrative Chilean assets acquired through its purchase of Lac Minerals.

The waste and transportation group, Laidlaw, saw its B shares up C$⅝ at C$11⅝ in 1.34m shares.

Mexico, Brazil easier

Mexican stocks continued to fall on a combination of profit-taking, negative reaction to the rise in US interest rates and a decline in Telmex ADRs on Wall Street.

At midday the IPC index was down 29.80 or 1.5 per cent at 1,967.99, but up from a low of 1,948. Telmex ADRs were $⅛ cheaper at $33⅞, having been as low as $32⅞ at one stage.

In the currency market the Mexican peso weakened against the dollar.

SAO PAULO turned downwards, with fears that the latest upward move in US interest rates would slow investment into Latin America. The Bovespa index was off 2.2 per cent in light midday trade, down 850 at 39,048.

Turnover was low at R$134.2m ($160.1m).

Telebras preferred dropped 4.2 per cent to R$32.10, and Eletrobras 3.9 per cent to R$267.

BUENOS AIRES was barely changed at midsession, with the Merval index losing 2.07 or 0.5 per cent at 440.32, having risen more than 8 per cent over the past two sessions.

S Africa sees strong gains

Shares again saw sharp gains as buying interest returned in line with an improvement in sentiment.

The overall index was 100.2 higher at 5,261.2, industrials advanced 106.1 to 6,479.2 after Wednesday's 2.4 per cent rally, and the gold shares index moved ahead 38.6 to 1,623.7.

Equity index futures eased at the start but picked up when the spot market rallied, brokers said.

De Beers added R1.50 at R84.75, Anglos rose R4.50 to R192.50 and Gencor was 45 cents firmer at R13.80.

EUROPE

Milan captivated by bank restructuring stories

Bourses had a quiet day in index terms, although there was some late weakness in line with domestic bonds, which followed US treasuries down, *writes Our Markets Staff.*

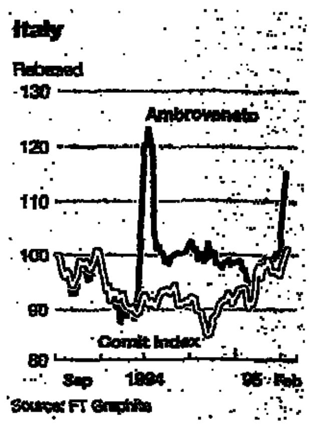
MILAN was captivated by banks, while the Comit index added 2.21 at 674.49.

Ambroveneto was caught up in a wave of speculative buying as the market came to believe that BCI might reopen its bid for the bank which fell into abeyance at the end of last year. The shares rose L459 or 10 per cent to L5,087, and trading was suspended briefly during the session after they climbed to a high of L5,290.

Speculation was encouraged by the expected victory of the Credito Italiano bid for Credito Romagnolo, the offers due to close today. Here, the bidder and biddee fell L9 to L2,020, L589 to L14,558 respectively.

Ambroveneto, which ranks seventh in terms of profitability in one league table of Italian banks, has been stalked by BCI for several months. BCI was fended off last November after Ambroveneto shareholders organised a shareholder syndicate.

One reason for the interest in Ambroveneto over the last couple of days was a suggestion that differences had emerged in the syndicate with one domestic member, the San Paolo group, up L131 at L10,139, rumoured to be willing to sell its 20 per cent stake.



Source: FT Graphite

Mr Fabio Basagni of Actinvest, a Milan investment house, said that the Italian banking system would probably now see an acceleration of restructuring, given the more settled political environment and pledges by the government that privatisation of publicly-owned banks was essential for the modernisation of the economy.

However, Mr Basagni remained sceptical about the degree and depth to which the restructuring process would go, in light of the ingrained conservatism of the banking system. "Many of these proposed mergers and acquisitions would seem to be motivated more by internal power struggles than a desire to reduce margins," he said. "Banking laws and regulations will have to be modified, otherwise these M &A's will not bring about the efficiency in the sector that is required in the 1990s."

After hours, Fiat reported 1994 pre-tax profits some L1,750bn, and a reduction in its debt burden. The shares fell L60 to L6,610 ahead of the announcement, but traders expected a rally today.

FRANKFURT's Dax index eased 3.18 to 2,045.25 on the session, and further to an Ibis-indicated 2,038.46 after hours.

Metallgesellschaft confirmed a net loss of DM2.63bn for 1993-94, and a capital reorganisation in line with indications last November, and the shares fell DM9.50, or 6.8 per cent to DM130.

Most of the share price action took place among second liners. SAP rose another DM87 to DM1,250 for a two-day gain of DM158, or 14.5 per cent.

FT-SE Actuaries Share Indices

Feb 2							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1313.48	1313.92	1315.44	1315.80	1315.35	1314.05	1312.81	1312.88
FT-SE Eurotrack 200	1373.74	1374.78	1375.96	1377.85	1377.63	1376.32	1375.85	1376.16

	Feb 1	Jan 31	Jan 30	Jan 27	Jan 26
FT-SE Eurotrack 100	1313.47	1297.31	1304.40	1307.52	1308.10
FT-SE Eurotrack 200	1373.89	1358.78	1363.04	1370.10	1385.94

Base 1000 (26/10/90). High/day: 100 - 1315.81; 200 - 1378.44 Low/day: 100 - 1312.25 200 - 1373.37 † Partial

A positive analysts' meeting on Wednesday afternoon followed excellent results late on Tuesday, said Mr Hans-Peter Wodniok in Frankfurt.

Disappointing results continued to be punished. In retailing, Asko fell another DM19.50 to DM611 and Kaufring DM8.50 to DM155. Meanwhile, Klöckner-Werke, sharing only part of its name with the ailing KHD (Klöckner-Humboldt-Deutz), saw its shares drop another DM5.50 to DM115, accelerating losses seen on Tuesday and Wednesday.

PARIS lost early gains as weakness in the bond market spilled over into equities. The CAC-40 index fell 11.68 to 1,816.10 in turnover of FFr3bn.

There was plenty of stimulus for individual stocks. Paribas, for instance, which released 1994 profit figures after the close on Wednesday at the lower end of expectations, dropped FFr8.4 or 2.5 per cent to FFr322.1. A number of brokers downgraded the stock yesterday.

Crédit Lyonnais suffered another disappointing session, off FFr13.7 or 4 per cent to FFr324.8 in the narrowly traded CI's, in reaction to news that it was to sell its stake of MGM cinemas. Carrefour, by contrast, rose FFr11 to FFr2,091 as it announced a rise in January sales.

ZURICH held its ground, the SMI index rising 2.9 to 2,563.7 and Roche certificates ending flat at SFr6,520 although, overnight, Merrill Lynch added its voice to the pharmaceutical group's supporters, upgrading the stock in the US.

However, among second liners the insurance group, Berner Holding, rose SFr65 to SFr1,390. There were new rumours that the German major, Allianz, was increasing its Berner stake.

AMSTERDAM fielded worries that the burden of flood compensation costs will fall on the Netherlands government, and the AEX index eased 0.96 to 409.40. KLM fell 40 cents to Fl 47 although the airline's third quarter results encouraged analysts to upgrade their full year estimates.

There was still some enthusiasm for flood damange beneficiaries, Nijverdal-ten Cate rising Fl 1.70 to Fl 79.70 and Boskalis by Fl 1 at Fl 34.50; and an extruded aluminium products alliance with Kaiser Aluminum of the US left Hoogovens 90 cents higher at Fl76.90.

WARSAW dropped again, this time on political fears, the Wig index hitting a new low of 6,069.5, down 189.1 or 3 per cent.

After hours it was revealed that the Polish president, Mr Lech Walesa, had taken the first steps towards a dissolution of parliament; and that the finance ministry saw no reason to lower the country's newly-introduced stock transaction tax.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Nikkei down as buying of construction stocks wanes

Tokyo

Buying of construction stocks waned, and share prices lost ground on profit-taking by both domestic and overseas investors, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average was off 135.17 at 18,604.30 after a low of 18,521.16 and high of 18,719.86. Purchases by arbitrageurs failed to counter profit-taking in high-technology and construction issues during the day. Dealers were also seen to be adjusting their positions in shares linked to the post-quake reconstruction theme.

Volume fell sharply to 461m shares from 731m. Trading slowed during the afternoon as cautiousness spread over the increase in profit-taking.

The Topix index of all first section stocks receded 8.89 to 1,455.25, while the Nikkei 300 shed 2.02 to 266.83. Declines led advances by 685 to 401, with 130 issues unchanged. But in London the ISE/Nikkei 50 index gained 1.55 at 1,187.95.

Individual investors, who had lifted construction stocks in the previous few days on hopes of higher earnings due to the reconstruction of Kobe following the earthquake, were unwilling to push them any higher. Instead, there was some bargain hunting for stocks in the over-the-counter market, which plunged on Wednesday. The Nikkei OTC index, which lost 34.57 on Wednesday, closed 33.72 up at 1,622.40 on a preliminary basis.

Waterfront dredging companies, which had surged over the past few days, retreated. Penta-Ocean Construction, the most active issue of the day, fell Y31 to Y915, while Toyo Construction dipped Y7 to Y788. Daisue Construction, an Osaka-based general contractor, lost Y17 at Y746, but Fudo Construction added Y70 at Y1,380 and Sumitomo Construction Y7 at Y797.

Some high-technology stocks were lower on selling by overseas investors. Sony relinquished Y60 at Y4,840, but Hitachi put on Y6 at Y864 and Fujitsu Y11 at Y890.

Chemical issues were higher, investors encouraged by an announcement by Showa Denko and Nippon Petrochemicals covering the merger of their resin operations. Sumitomo Chemical moved forward Y8 to Y491.

Privatisation stocks were hit by profit-taking. Japan Tobacco slipped Y7,000 to Y882,000, the lowest since its listing last November, while Nippon Telegraph and Telephone retreated Y15,000 to Y752,000. East Japan Railway, however, rose Y10,000 to Y443,000.

In Osaka, the OSE average declined 125.62 to 20,485.08 in volume of 171.3m shares.

Roundup

The region rose in the aftermath of the US rates rise. Hong Kong, Taiwan and Kuala Lumpur remained closed for the lunar new year holiday, although there were indications for the latter elsewhere.

SYDNEY was led ahead by gains among leading banks on overseas buying. The All Ordinaries index moved up 23.4 to 1,856.5 in turnover estimated at A$457.3m.

Among banks, ANZ climbed 17 cents to A$4.55, Westpac 14 cents to A$4.74, NAB 26 cents to A$10.74 and CBA 20 cents to A$8.50.

Mining leaders edged higher on light bargain hunting after recent declines, CRA closing 20 cents up at A$16.48 and WMC firming 2 cents to A$6.76.

Insurers failed to take advantage of the rise in banks: GIO put on 4 cents at A$2.42 as QBE eased 4 cents to A$4.57.

News Corp rose 20 cents to A$5.38 on optimism over a rebound in earnings should there be an end to the UK newspaper price war. Fairfax added 7 cents at A$2.59.

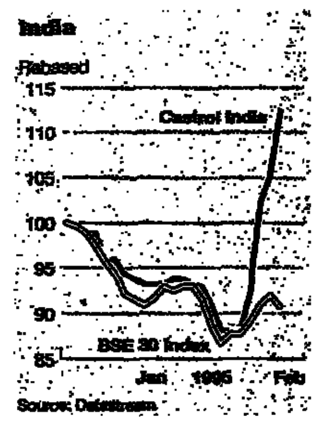
SEOUL reopened with a 1.9 per cent gain, the Korea composite index ending 17.79 higher at 943.35 after government measures to boost the sagging market sent a wave of confidence across the market floor.

South Korea's Finance and Economy Ministry said it would abolish limits on overseas stock and bond investments by domestic institutions and those on export and import commissions from February 13.

BOMBAY reported late buying orders from domestic mutual funds, taking the BSE 30-share index up 29.63 to 3,599.29. Reliance, accounting for 12.8 per cent of the BSE index, closed Rs8.75 higher at Rs271.25. Castrol India continued its upward career, ending Rs85 stronger at Rs1,075 after a Rs55 gain on Wednesday as the Burmah Castrol subsidiary confirmed that it was planning a scrip issue.

SINGAPORE returned to bargain hunting which took the Straits Times Industrial index to its fifth successive gain, up 17.57 to 2,100.93 in volume of 212.35m shares.

While Kuala Lumpur was still closed, Singapore's UOB-OTC index, which tracks Malaysian over-the-counter shares, rose 28.55 to 1,053.43.



Source: Datastream

The SES All-Finance index put on 9.18 or 1.6 per cent at 563.30. Development Bank of Singapore foreign shares were up 70 cents at S$13.70. The SES All-Property index gained 15.76 or 2.9 per cent at 552.14.

JAKARTA rose, initially on local buying, the JKSE composite index finishing 5.86 higher at 440.50 in turnover of Rp80.08bn, with property stocks in the lead.

WELLINGTON was supported by a gain in Fletcher Challenge on news that its Canadian division had reached a tentative agreement with unions to settle a strike.

The NZSE-40 Capital index moved forward 14.93 to 3,780.59 as Fletcher advanced 3 cents to NZ$3.84.

MANILA succumbed to mid-session profit-taking after modest gains in early trade as some foreign funds were seen to be redeeming their holdings in light of the rise in US interest rates.

The composite index, having gained 13 points at one point, closed off 20.33 at 2,456.55.

Among the main losers were B issues: Manila Electric shed 1.8 per cent to 272.50 pesos, San Miguel dipped 1.7 per cent to 118 pesos and Ayala Land slid 1.6 per cent to 31 pesos.

COLOMBO continued to slide on a lack of buying and a switch out of blue chips, the CSE all-share index falling 12.09 to 933.42. The index, closed today, shed 3.7 per cent in a week which saw some of the lowest daily turnover figures in the last 12 months.

BANGKOK fluctuated in a narrow range throughout the session before ending with a gain of 3.00 at 1,241.53. Turnover was Bt4.6bn, against Wednesday's Bt3.3bn.

Electricity Generating topped the active list, firming Bt1 to Bt62.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY FEBRUARY 1 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 31 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	161.45	0.1	151.35	101.50	127.82	141.98	0.3	4.06	161.21	150.55	100.84	127.00	141.61	189.15	161.21	186.64
Austria (16)	173.80	–1.4	162.93	109.27	137.59	137.54	–0.5	1.18	176.36	164.70	110.31	138.93	138.27	198.89	167.46	195.41
Belgium (35)	167.62	0.1	157.13	105.38	132.70	129.56	0.4	4.26	167.40	156.33	104.70	131.87	129.03	177.04	161.53	169.06
Brazil (28)	151.16	2.5	141.71	95.04	119.67	233.87	2.4	1.10	147.46	137.71	92.23	116.17	228.41	–	–	–
Canada (103)	122.83	0.2	115.15	77.22	97.24	125.35	–0.1	2.76	122.58	114.47	76.67	96.57	125.45	143.28	120.54	143.28
Denmark (33)	257.31	0.9	241.21	161.77	203.71	210.08	1.2	1.41	255.02	238.15	159.51	200.90	207.59	275.79	236.61	275.39
Finland (24)	186.05	1.6	174.41	116.97	147.29	184.08	0.9	0.76	183.20	171.09	114.59	144.32	182.38	201.41	133.88	154.85
France (102)	160.94	1.2	150.87	101.18	127.41	133.20	1.5	3.22	159.06	148.54	99.49	125.30	131.20	186.37	157.79	184.37
Germany (58)	140.68	0.7	131.88	88.44	111.37	111.37	1.1	1.87	139.77	130.53	87.43	110.11	110.11	150.40	128.37	136.42
Hong Kong (56)	293.16	0.1	274.83	184.31	232.10	291.08	0.0	4.30	293.01	273.64	183.28	230.84	291.08	493.01	277.40	482.67
Ireland (16)	208.06	0.0	195.04	130.81	164.72	187.62	0.3	3.39	207.99	194.24	130.09	163.85	187.09	216.60	177.58	209.33
Italy (58)	80.72	0.4	75.67	50.75	63.90	96.98	0.9	1.80	80.38	75.07	50.28	63.32	96.14	97.78	67.25	75.68
Japan (464)	147.43	–0.5	138.21	92.69	116.72	92.69	0.0	0.82	148.16	138.36	92.67	116.72	92.67	170.10	139.45	158.22
Malaysia (97)	419.52	0.1	393.28	263.76	332.14	412.61	0.0	2.04	418.90	391.21	262.01	330.01	412.61	594.76	398.16	494.33
Mexico (18)	1097.81	10.5	1029.12	690.19	869.11	6547.56	–6.1	1.56	993.60	927.90	621.47	782.74	6898.34	2647.06	964.79	2567.22
Netherland (19)	219.47	0.1	205.74	137.98	173.76	170.93	0.5	3.38	219.21	204.72	137.11	172.69	170.06	223.30	191.28	207.43
New Zealand (14)	73.09	1.0	68.52	45.95	57.87	80.79	1.1	4.82	72.39	67.60	45.28	57.03	80.11	77.59	62.05	77.14
Norway (23)	215.67	–0.2	202.18	135.59	170.74	195.18	0.1	1.77	216.03	201.74	135.12	170.18	194.88	216.03	177.53	202.95
Singapore (44)	340.48	0.1	319.16	214.06	269.56	227.95	0.0	1.88	340.31	317.82	212.86	268.10	227.95	401.38	294.88	358.54
South Africa (59)	290.68	3.4	272.49	182.75	230.13	257.76	2.1	2.58	281.06	262.47	175.79	221.41	252.48	342.00	205.55	251.76
Spain (38)	130.87	0.8	122.68	82.27	103.60	131.00	1.0	4.34	129.88	121.29	81.24	102.32	129.73	154.81	124.87	153.27
Sweden (48)	239.28	1.4	224.30	150.43	189.43	264.12	1.3	1.48	235.95	220.35	147.58	185.88	260.82	242.81	198.70	227.98
Switzerland (47)	163.46	0.3	153.24	102.77	129.41	130.37	1.2	1.87	162.89	152.12	101.89	128.33	128.86	176.56	148.91	175.44
Thailand (46)	138.74	1.8	130.07	87.23	109.84	135.08	1.7	2.99	136.60	127.57	85.44	107.62	132.81	–	–	–
United Kingdom (205)	193.50	0.4	181.40	121.66	153.20	181.40	0.8	4.25	192.73	179.98	120.55	151.83	179.98	214.96	181.11	214.41
USA (513)	192.80	0.0	180.73	121.21	152.63	192.80	0.0	2.91	192.82	180.07	120.60	151.90	192.82	196.04	178.95	195.09
Americas (862)	177.43	0.1	166.33	111.55	140.47	148.74	0.0	2.86	177.20	165.48	110.83	139.59	148.80	–	–	–
Europe (722)	168.59	0.6	158.05	106.00	133.47	148.54	1.0	3.18	167.65	156.66	104.86	132.07	147.12	178.58	160.59	178.24
Nordic (126)	230.37	1.2	215.96	144.84	182.38	215.52	1.1	1.38	227.67	212.62	142.40	179.38	213.09	233.91	197.70	219.83
Pacific Basin (809)	153.67	–0.4	144.05	96.61	121.66	100.77	0.1	1.21	154.27	144.07	96.49	121.53	100.72	176.86	145.93	165.73
Euro-Pacific (1531)	159.79	0.0	149.79	100.46	126.50	118.37	0.5	2.05	159.75	149.18	99.92	125.85	118.84	175.14	154.73	170.78
North America (616)	188.46	0.0	176.67	118.49	149.20	188.22	0.0	2.90	188.47	176.01	117.88	148.47	188.25	192.73	175.67	191.87
Europe Ex. UK (517)	151.44	0.7	141.96	95.21	119.89	128.89	1.1	2.49	150.45	140.50	94.10	118.52	127.59	158.12	144.12	155.51
Pacific Ex. Japan (325)	217.23	0.2	203.64	136.58	171.98	191.41	0.2	3.49	216.81	202.48	135.61	170.80	191.05	291.75	211.19	285.91
World Ex. US (1739)	160.21	0.2	150.19	100.73	126.84	122.48	0.5	2.07	159.93	149.36	100.03	125.99	121.88	176.65	155.42	172.51
World Ex. UK (2047)	167.58	0.1	157.10	105.36	132.66	138.80	0.2	2.17	167.46	156.39	104.74	131.92	138.48	178.59	163.46	175.58
World Ex. Japan (1768)	183.57	0.3	172.09	115.41	145.33	174.14	0.4	3.00	182.93	170.83	114.42	144.11	173.47	195.20	178.34	194.45
The World Index (2252)	169.67	0.1	159.24	106.80	134.48	143.56	0.3	2.37	169.89	158.47	106.13	133.66	143.16	180.80	165.92	178.97

Constituent change with effect 6/2/95: Deletion: Oxygene D'Acetyl (France). Latest prices were unavailable for this edition. Markets closed 31/1/95: Hong Kong, Malaysia and Singapore.